



# **BROWNFIELD REVOLVING LOAN FUND APPLICATION FOR HAZARDOUS SUBSTANCE OR PETROLEUM REMEDIATION**

## **Part B FINANCIAL INFORMATION**

**March 2013**

**Attachment B1**

**Most Recent Audit or Auditor Report from State Auditor's Website**

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**



**Dave Yost • Auditor of State**

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Youngstown  
Mahoning County  
26 S. Phelps St.  
Youngstown, Ohio 44503

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire Levy, Policy Levy, Covelli Centre

and the Community Development funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 17, 2015

## CITY OF YOUNGSTOWN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

The management's discussion and analysis of the City of Youngstown's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2013 are as follows:

- The total net position of the City increased \$7,054,319. Net position of governmental activities decreased \$227,554 or .23% from 2012 and net position of business-type activities increased \$7,281,873 or 9.44% from 2012.
- General revenues accounted for \$55,021,803 or 66.21% of total governmental activities revenue. Program specific revenues accounted for \$28,084,417 or 33.79% of total governmental activities revenue of \$83,106,220.
- The City had \$83,333,774 in expenses related to governmental activities; \$28,084,417 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$55,249,357 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$55,021,803.
- The general fund had revenues and other financing sources of \$37,143,741 in 2013. This represents a decrease of \$2,305,867 from 2012. The expenditures and other financing uses of the general fund, which totaled \$39,726,899 in 2013, increased \$1,543,241 from 2012. The decrease in fund balance was \$2,583,158 in the general fund at December 31, 2013.
- The fire levy fund had revenues and other financing sources of \$14,326,626 in 2013. This represents an increase of \$79,108 from 2012. The expenditures of the fire levy fund, which totaled \$14,871,805 in 2013, increased \$1,132,227 from 2012. The decrease in fund balance was \$545,179 in the fire levy fund at December 31, 2013.
- The police levy fund had revenues and other financing sources of \$17,225,433 in 2013. This represents a decrease of \$1,471,710 from 2012. The expenditures of the police levy fund, which totaled \$18,034,097 in 2013, decreased \$307,956 from 2012. The decrease in fund balance was \$808,664 in the police levy fund at December 31, 2013.
- The Covelli Centre fund had revenues and other financing sources of \$11,346,968 in 2013. This represents a decrease of \$1,324,597 from 2012. The expenditures of the Covelli Centre fund, which totaled \$11,195,772 in 2013, decreased \$1,146,598 from 2012. The increase in fund balance was \$151,196 in the Covelli Centre fund at December 31, 2013.
- The community development fund had revenues of \$4,162,567 in 2013. This represents a decrease of \$65,035 from 2012. The expenditures and other financing uses of the community development fund, which totaled \$4,065,777 in 2013, decreased \$520,022 from 2012. The increase in fund balance was \$96,790 in the community development fund at December 31, 2013.
- The bond retirement fund had revenues of \$2,024,227 in 2013. This represents a decrease of \$187,672 from 2012. The expenditures and other financing uses of the bond retirement fund, which totaled \$2,185,604 in 2013, decreased \$92,344 from 2012. The decrease in fund balance was \$161,377 in the bond retirement fund at December 31, 2013.

## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED**

- Net position for the business-type activities, which are made up of the sewer and water enterprise funds, increased in 2013 by \$7,281,873. The enterprise funds had adequate charges for services revenue to cover operating expenses.

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

##### ***Statement of Net Position and the Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

**Governmental activities** - Most of the City's programs and services are reported here including police, fire, street maintenance, parks and recreation, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Business-type activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer and water operations are reported here.

The City's statement of net position and statement of activities can be found on pages 15-17 of this report

#### **Reporting the City's Most Significant Funds**

##### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED**

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 9.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy, police levy, community development, Covelli Centre and bond retirement funds. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 18-28 of this report.

#### ***Proprietary Funds***

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations. The sewer and water funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for worker's compensation insurance. The basic proprietary fund financial statements can be found on pages 29-32 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 33 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-75 of this report.

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

### Government-Wide Financial Analysis

The table below provides a summary of the City's net position for 2013 and 2012:

	Net Position					
	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
<u>Assets</u>						
Current and other assets	\$ 33,438,114	\$ 27,581,788	\$ 35,991,205	\$ 17,658,332	\$ 61,019,902	\$ 53,649,537
Capital assets	111,319,737	88,600,230	110,726,371	82,185,435	199,919,967	192,911,806
Total assets	144,757,851	116,182,018	146,717,576	99,843,767	260,939,869	246,561,343
<u>Liabilities</u>						
Long-term liabilities outstanding	37,844,813	27,622,896	40,008,002	20,809,051	65,467,709	60,817,053
Other liabilities	5,764,836	4,132,392	6,698,818	1,889,859	9,897,228	8,588,677
Total liabilities	43,609,649	31,755,288	46,706,820	22,698,910	75,364,937	69,405,730
Deferred Inflows of Resources	1,365,000	-	-	-	1,365,000	-
<u>Net Position</u>						
Net investment in capital assets	92,453,337	62,579,319	91,220,447	63,048,134	155,032,656	154,268,581
Restricted	13,657,197	-	14,399,603	-	13,657,197	14,399,603
Unrestricted (deficit)	(6,327,332)	21,847,411	(5,609,294)	14,096,723	15,520,079	8,487,429
Total net position	\$ 99,783,202	\$ 84,426,730	\$ 100,010,756	\$ 77,144,857	\$ 184,209,932	\$ 177,155,613

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2013, the City's assets exceeded liabilities by \$185,574,932, an increase of \$8,419,319 from December 31, 2012. At year-end, net position were \$99,783,202 and \$84,426,730 for the governmental activities and the business-type activities, respectively. The increase in net position of the governmental activities is a result of contributions, donations and reimbursements received for the V&M Star project. The increase in the net position of the business-type activities is from increased water and sewer collections.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 76.62% of total assets. Capital assets include land, buildings, improvement other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2013, were \$92,453,337 and \$62,579,319 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$13,657,197, at December 31, 2013, represents resources that are subject to external restriction on how they may be used.

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

The table below shows the changes in net assets for fiscal years 2013 and 2012:

	Change in Net Assets					
	Governmental Activities 2013	Business-type Activities 2013	Governmental Activities 2012	Business-type Activities 2012	2013 Total	2012 Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11,045,114	\$ 55,089,058	\$ 14,205,739	\$ 55,174,575	\$ 66,134,172	\$ 69,380,314
Operating grants and contributions	10,127,620	-	10,503,707	-	10,127,620	10,503,707
Capital grants and contributions	6,911,683	-	4,301,679	-	6,911,683	4,301,679
Total program revenues	28,084,417	55,089,058	29,011,125	55,174,575	83,173,475	84,185,700
General revenues:						
Property taxes	1,825,450	-	1,883,032	-	1,825,450	1,883,032
Income taxes	45,700,627	-	43,862,728	-	45,700,627	43,862,728
Unrestricted grants and entitlements	4,566,570	-	4,058,660	-	4,566,570	4,058,660
Payment in lieu of taxes	579,988	-	578,640	-	579,988	578,640
Investment earnings	8,847	-	7,654	-	8,847	7,654
Miscellaneous	2,340,321	60,042	715,546	105,530	2,400,363	821,076
Total general revenues	55,021,803	60,042	51,106,260	105,530	55,081,845	51,211,790
Total revenues	83,106,220	55,149,100	80,117,385	55,280,105	138,255,320	135,397,490
Expenses:						
General government	17,191,971	-	11,794,151	-	17,191,971	11,794,151
Security of persons and property	37,748,740	-	36,778,390	-	37,748,740	36,778,390
Public health and welfare	2,571,400	-	2,633,661	-	2,571,400	2,633,661
Transportation	11,685,148	-	9,914,132	-	11,685,148	9,914,132
Community environment	6,790,585	-	6,780,523	-	6,790,585	6,780,523
Leisure time activity	3,595,742	-	3,340,685	-	3,595,742	3,340,685
Utility services	2,817,926	-	2,499,893	-	2,817,926	2,499,893
Interest and fiscal charges	932,262	-	1,653,868	-	932,262	1,653,868
Water	-	30,348,302	-	30,999,012	30,348,302	30,999,012
Sewer	-	17,518,925	-	17,585,018	17,518,925	17,585,018
Total expenses	83,333,774	47,867,227	75,395,303	48,584,030	131,201,001	123,979,333
Increase (decrease) in net position before transfers	(227,554)	7,281,873	4,722,082	6,696,075	7,054,319	11,418,157
Transfers	-	-	-	-	-	-
Change in net position	(227,554)	7,281,873	4,722,082	6,696,075	7,054,319	11,418,157
Net position at beginning of year	100,010,756	77,144,857	95,288,674	70,448,782	177,155,613	165,737,456
Net position at end of year	\$ 99,783,202	\$ 84,426,730	\$ 100,010,756	\$ 77,144,857	\$ 184,209,932	\$ 177,155,613

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

### Governmental Activities

Governmental activities net position decreased by \$227,554 in 2013. This decrease is a result of the City's overall expenses exceeding total revenue.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$37,748,740 of the total expenses of the City during 2013. These expenses were partially funded by \$1,243,453 in direct charges to users of the services and \$532,460 in grants and contributions. General government expenses totaled \$17,191,971. General government expenses were partially funded by \$5,145,893 in direct charges to users of the services, and \$1,226,471 in capital grants and contributions.

During 2013, the state and federal government and other local sources contributed to the City a total of \$10,127,620 in operating grants and contributions and \$6,911,683 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,047,866 subsidized community environment programs, \$2,680,947 subsidized transportation programs, \$693,252 subsidized public health and welfare programs, \$532,460 subsidized security of persons and property programs, and \$173,095 subsidized leisure activities. Of the total capital grants and contributions, \$3,792,064 subsidized community environment programs, \$1,893,148 subsidized transportation programs, and \$1,226,471 subsidized general government programs.

General revenues totaled \$55,021,803, and amounted to 66.21% of total governmental revenues during 2013. These revenues primarily consist of income tax revenue of \$45,700,627. The other primary source of general revenues is property taxes and grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,825,450 and \$4,566,570, respectively.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses:				
General government	\$ 17,191,971	\$ 10,819,607	\$ 11,794,151	\$ 2,279,398
Security of persons and property	37,748,740	35,972,827	36,778,390	34,850,343
Public health and welfare	2,571,400	(2,590,625)	2,633,661	(2,614,131)
Transportation	11,685,148	6,971,393	9,914,132	7,034,152
Community environment	6,790,585	(3,049,345)	6,780,523	(2,457,757)
Leisure time activity	3,595,742	3,375,312	3,340,685	3,138,412
Utility services	2,817,926	2,817,926	2,499,893	2,499,893
Interest and fiscal charges	932,262	932,262	1,653,868	1,653,868
Total	<u>\$ 83,333,774</u>	<u>\$ 55,249,357</u>	<u>\$ 75,395,303</u>	<u>\$ 46,384,178</u>

The dependence upon general revenues for governmental activities is apparent, with 67.84% and 61.52% of expenses supported through taxes and other general revenues during 2013 and 2012, respectively.

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

### Business-type Activities

Business-type activities include the sewer and water enterprise funds. These programs had program revenues of \$55,089,058, and general revenues of \$60,042 and expenses of \$47,867,227 for 2013.

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on pages 18-19) reported a combined fund balance of \$11,406,774 which is \$6,434,904 lower than last year's balance total of \$17,841,678. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/13</u>	Fund Balances (Deficit) <u>12/31/12</u>	Increase/ (Decrease) <u></u>
Major funds:			
General	\$ 2,813,511	\$ 5,396,669	\$ (2,583,158)
Fire levy	(743,607)	(198,428)	(545,179)
Police levy	(555,533)	253,131	(808,664)
Community development	526,406	429,616	96,790
Covelli centre project	233,279	82,083	151,196
Bond retirement	189,245	350,622	(161,377)
Other nonmajor governmental funds	<u>8,943,473</u>	<u>11,527,985</u>	<u>(2,584,512)</u>
Total	<u>\$ 11,406,774</u>	<u>\$ 17,841,678</u>	<u>\$ (6,434,904)</u>

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

### General Fund

The City's general fund balance decreased \$2,583,158 throughout the year. The table that follows assists in illustrating the revenues of the general fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Income taxes	\$ 23,003,286	\$ 24,766,180	(7.12) %
Charges for services	7,086,813	7,330,891	(3.33) %
Licenses and permits	445,128	584,926	(23.90) %
Fines and forfeitures	654,251	684,412	(4.41) %
Intergovernmental	4,406,120	4,308,242	2.27 %
Investment income	8,847	7,654	15.59 %
Rental income	254,360	266,320	(4.49) %
Franchise fee	552,604	604,675	(8.61) %
Other	<u>621,183</u>	<u>625,122</u>	<u>(0.63) %</u>
Total	<u>\$ 37,032,592</u>	<u>\$ 39,178,422</u>	<u>(5.48) %</u>

Income tax revenue represents 62.12% of all general fund revenue and decreased by 7.12% in 2013. Fines and forfeitures related to court costs and parking fines decreased by 4.41% during 2013, and licenses and permits revenues also decreased by 23.90%. Franchised fees decreased by 8.61% in 2013.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General Government	\$ 15,254,683	\$ 11,140,288	36.93 %
Security of persons and property	2,528,836	3,125,070	(19.08) %
Public health and welfare	1,335,964	1,463,297	(8.70) %
Community environment	203,788	245,691	(17.06) %
Leisure time activity	112,560	80,905	39.13 %
Utility service	2,817,926	2,499,893	12.72 %
Principal retirement	18,162	18,706	(2.91) %
Interest and fiscal charges	<u>551</u>	<u>1,708</u>	<u>(67.74) %</u>
Total	<u>\$ 22,272,470</u>	<u>\$ 18,575,558</u>	<u>19.90 %</u>

## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED**

#### ***General Fund (continued)***

Costs in multiple areas increased significantly, specifically in fringe benefits, under revenue sharing agreements, and settlements causing the larger than normal year-over-year variance in general government expenditures. Decreased spending on in-house security and lower prisoner housing payments to the county resulted in a decrease in security of persons and property expenditures. All other expenditures remained comparable to the prior year, or were insignificant in dollar amount.

#### ***Fire Levy Fund***

The fire levy fund had revenues and other financing sources of \$14,326,626 in 2013. This represents an increase of \$79,108 from 2012. The expenditures of the fire levy fund, which totaled \$14,871,805 in 2013, increased \$1,132,227 from 2012. The decrease in fund balance was \$545,179 in the fire levy fund at December 31, 2013.

#### ***Police Levy Fund***

The police levy fund had revenues and other financing sources of \$17,225,433 in 2013. This represents a decrease of \$1,471,710 from 2012. The expenditures of the police levy fund, which totaled \$18,034,097 in 2013, decreased \$307,956 from 2012. The decrease in fund balance was \$808,664 in the police levy fund at December 31, 2013.

#### ***Community Development Fund***

The community development fund had revenues of \$4,162,567 in 2013. This represents a decrease of \$65,035 from 2012. The expenditures and other financing uses of the community development fund, which totaled \$4,065,777 in 2013, decreased \$520,022 from 2012. The increase in fund balance was \$96,790 in the community development fund at December 31, 2013.

#### ***Covelli Centre Fund***

The Covelli Centre fund had revenues and other financing sources of \$11,346,968 in 2013. This represents a decrease of \$1,324,597 from 2012. The expenditures of the Covelli Centre fund, which totaled \$11,195,772 in 2013, decreased \$1,146,598 from 2012. The increase in fund balance was \$151,196 in the Covelli Centre fund at December 31, 2013.

#### ***Bond Retirement Fund***

The bond retirement fund had revenues of \$2,024,227 in 2013. This represents a decrease of \$187,672 from 2012. The expenditures and other financing uses of the bond retirement fund, which totaled \$2,185,604 in 2013, decreased \$92,344. The decrease in fund balance was \$161,377 in the bond retirement fund at December 31, 2013.

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

### *Budgeting Highlights*

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, fire levy, police levy, community development and Covelli Centre fund. In the general fund, actual expenditures and other financing uses of \$38,066,541 came in \$2,140,661 lower than final budgeted expenditures of \$40,207,202. Original budgeted revenues and other financing sources of \$40,411,600 were decreased by \$665,641 to \$39,745,959 in the final budgeted revenues. Actual revenues and other financing sources were \$38,188,170 which were \$1,557,789 lower than final budgeted revenues.

### *Proprietary Funds*

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

At the end of fiscal 2013, the City had \$199,919,967 (net of accumulated depreciation) invested in land, buildings, improvements other than buildings (I.O.T.B.), machinery and equipment, computer software, vehicles, infrastructure and construction in progress (CIP). Of this total, \$111,319,737 was reported in governmental activities and \$88,600,230 was reported in business-type activities. The following table shows fiscal 2013 balances compared to 2012:

**Capital Assets at December 31  
(Net of Depreciation)**

	<u>Govenment Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 14,324,149	\$ 14,333,765	\$ 562,688	\$ 562,688	\$ 14,886,837	\$ 14,896,453
C.I.P.	1,097,067	872,200	12,186,866	6,317,110	13,283,933	7,189,310
Buildings	33,633,498	37,947,929	27,673,350	26,573,052	61,306,848	64,520,981
I.O.T.B.	2,736,643	2,897,986	521,520	561,545	3,258,163	3,459,531
Machinery and equipment	4,471,111	4,731,116	5,697,201	6,039,947	10,168,312	10,771,063
Computer software	-	2,990	480,519	562,362	480,519	565,352
Vehicles	2,136,753	1,279,409	1,126,945	1,363,172	3,263,698	2,642,581
Infrastructure	52,920,516	48,660,976	40,351,141	40,205,559	93,271,657	88,866,535
Total	<u>\$ 111,319,737</u>	<u>\$ 110,726,371</u>	<u>\$ 88,600,230</u>	<u>\$ 82,185,435</u>	<u>\$ 199,919,967</u>	<u>\$ 192,911,806</u>

# CITY OF YOUNGSTOWN, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED

The City's largest governmental activities capital asset categories are buildings and infrastructure. The net book value of the City's buildings and infrastructure (cost less accumulated depreciation) represents approximately 30.21% and 47.54% of the City's total governmental capital assets at December 31, 2013, respectively.

The City's largest business-type capital asset category is infrastructure, which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility lines (cost less accumulated depreciation) represents approximately 45.54% of the City's total business-type activities capital assets. See Note 10 to the basic financial statements for further detail on capital assets.

### *Debt Administration*

The City had the following short-term and long-term obligations outstanding at December 31, 2013 and 2012:

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$14,840,000	\$15,970,000
HUD Section 108 loans	1,119,950	1,579,950
Short-term notes payable	350,000	520,000
Long-term notes payable	11,460,000	11,810,000
OPWC loan	257,146	278,574
Capital lease obligations	835,635	88,880
Claims payable	2,760,379	2,738,924
Early retirement incentive	215,403	634,254
Compensated absences	<u>6,710,740</u>	<u>7,278,674</u>
Total	<u>\$38,549,253</u>	<u>\$40,899,256</u>

  

	<u>Business-Type</u>	
	<u>2013</u>	<u>2012</u>
OWDA loans	\$21,265,146	\$14,364,408
OPWC loan	3,191,777	3,079,558
ODOT loan	1,563,988	1,702,394
Compensated absences	<u>1,601,985</u>	<u>1,671,750</u>
Total	<u>\$27,622,896</u>	<u>\$20,818,110</u>

See Note 12 to the basic financial statements for further detail on the City's long-term obligations outstanding at year-end and Note 13 for the City's short-term note obligations outstanding at year-end.

## **CITY OF YOUNGSTOWN, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013 UNAUDITED**

#### **Economic Conditions and Outlook**

The City's administration considered the impact of various economic factors when establishing the 2014 budget. The economy in Youngstown was decimated during the last quarter century due to the collapse of its principal industry, iron and steel production. The City is working hard to build on the success of the last few years and leave its big industry past behind by continuing to aggressively pursue small light industrial and commercial development. So far, more than 9,700 new jobs have been created, with additional job opportunities anticipated as various development agreements are secured. A working example is VAM USA \$80 million construction of its steel-threading pipe operation, expected to be completed in the first quarter of 2015 with estimated workforce increase of 150 full-time employees.

Over the past several years, the City has twice received SBA leadership awards for small business development and is continuing its efforts to locate and grow new industry in Youngstown. Nevertheless, the City continues to lose population and unemployment remains above the national average for 2014. The primary objectives of the City include aggressive investments in new development, a commitment to job creation, a continued emphasis on fiscal stability, as well as improving the quality of life for its citizens.

At the end of 2013 the City of Youngstown had a positive cash balance in all of its operating funds except for the CDA fund. The City's fortunate financial position is largely due to three factors: aggressive cost containment, growing income tax collections, and employee reductions through buyouts and attrition.

Under the leadership of Mayor Jay Williams, the City was able to implement Youngstown 2010 plan which provides a sturdy foundation for the future of Youngstown. During 2012, Mayor Williams resigned as Mayor to accept a position in the Obama Administration. Newly elected Mayor John McNally is continuing to follow the blueprint of the Youngstown 2010 plan to build on the successes of the last few years. Youngstown has come through its dependence on just one industry and is moving forward. Furthermore, the City continues to revitalize its economy, improve its quality of life and strengthen its future.

The City's current financial position is at risk, but remains tentatively balanced. Let there be no doubt, the City's core mission is straightforward: to continue with conservative budgeting practices, to stimulate economic growth, to create new and better jobs, and to ensure that Youngstown continues to embark on the path of steady growth. The City will continue to right itself relative to revenues and expenditures. For these reasons, as we slowly exit the most troubling period the economy has experienced since the 1930s, the City expects the actions undertaken by management will be successful in maintaining balanced operations through the end of 2014.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. David Bozanich, Finance Director, City of Youngstown, and 26 S. Phelps Street, Youngstown, Ohio 44503.

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 11,541,386	\$ 17,138,049	\$ 28,679,435
Receivables (net of allowance for uncollectibles):			
Income taxes	11,564,120	-	11,564,120
Real and other taxes	2,470,309	-	2,470,309
Accounts	1,348,783	9,238,263	10,587,046
Notes receivable	146,474	-	146,474
Special assessments	30,091	-	30,091
Internal balances	(86,501)	86,501	-
Due from other governments	5,831,069	163,098	5,994,167
Materials and supplies inventory	224,921	955,877	1,180,798
Deferred charges	367,462	-	367,462
Capital assets:			
Land and construction in progress	15,421,216	12,749,554	28,170,770
Depreciable capital assets, net	95,898,521	75,850,676	171,749,197
Total capital assets, net	<u>111,319,737</u>	<u>88,600,230</u>	<u>199,919,967</u>
Total assets	<u>144,757,851</u>	<u>116,182,018</u>	<u>260,939,869</u>
<b>Liabilities:</b>			
Accounts payable	859,491	1,194,401	2,053,892
Contracts payable	702,431	1,763,935	2,466,366
Accrued wages and benefits payable	1,536,917	512,868	2,049,785
Claims payable	497,177	-	497,177
Due to other governments	1,698,518	216,066	1,914,584
Accrued interest payable	120,302	445,122	565,424
Notes payable	350,000	-	350,000
Long-term liabilities:			
Due within one year	3,850,430	1,771,204	5,621,634
Due in more than one year	33,994,383	25,851,692	59,846,075
Total liabilities	<u>43,609,649</u>	<u>31,755,288</u>	<u>75,364,937</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes levied for the next fiscal year	1,365,000	-	1,365,000
<b>Net Position:</b>			
Net investment in capital assets	92,453,337	62,579,319	155,032,656
Restricted for:			
Debt service	1,309,589	-	1,309,589
Capital projects	7,850,830	-	7,850,830
Community development	2,432,941	-	2,432,941
Street maintenance and repair	1,309,655	-	1,309,655
Public health and welfare	120,351	-	120,351
Leisure time activities	(85,362)	-	(85,362)
Law enforcement	719,193	-	719,193
Unrestricted (deficit)	<u>(6,327,332)</u>	<u>21,847,411</u>	<u>15,520,079</u>
Total net position	<u>\$ 99,783,202</u>	<u>\$ 84,426,730</u>	<u>\$ 184,209,932</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General government	\$ 17,191,971	\$ 5,145,893	\$ -	\$ 1,226,471
Security of persons and property	37,748,740	1,243,453	532,460	-
Public health and welfare	2,571,400	4,468,773	693,252	-
Transportation	11,685,148	139,660	2,680,947	1,893,148
Community environment	6,790,585	-	6,047,866	3,792,064
Leisure time activity	3,595,742	47,335	173,095	-
Utility services	2,817,926	-	-	-
Interest and fiscal charges	932,262	-	-	-
<b>Total governmental activities</b>	<b>83,333,774</b>	<b>11,045,114</b>	<b>10,127,620</b>	<b>6,911,683</b>
<b>Business-type Activities:</b>				
Sewer	17,518,925	22,277,915	-	-
Water	30,348,302	32,811,143	-	-
<b>Total business-type activities</b>	<b>47,867,227</b>	<b>55,089,058</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>\$ 131,201,001</b>	<b>\$ 66,134,172</b>	<b>\$ 10,127,620</b>	<b>\$ 6,911,683</b>

**General Revenues:**

Property taxes levied for:

Debt service

Special revenue

Income taxes levied for:

General purposes

Fire levy

Police levy

Capital outlay

Grants and entitlements not restricted  
to specific programs

Payments in lieu of taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

**Net position at beginning of year**

**Net position at end of year**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
<b>Activities</b>		<b>Activities</b>			
\$	(10,819,607)	\$	-	\$	(10,819,607)
	(35,972,827)		-		(35,972,827)
	2,590,625		-		2,590,625
	(6,971,393)		-		(6,971,393)
	3,049,345		-		3,049,345
	(3,375,312)		-		(3,375,312)
	(2,817,926)		-		(2,817,926)
	(932,262)		-		(932,262)
	(55,249,357)		-		(55,249,357)
	-		4,758,990		4,758,990
	-		2,462,841		2,462,841
	-		7,221,831		7,221,831
	(55,249,357)		7,221,831		(48,027,526)
	1,609,782		-		1,609,782
	215,668		-		215,668
	24,479,824		-		24,479,824
	6,997,268		-		6,997,268
	9,330,930		-		9,330,930
	4,892,605		-		4,892,605
	4,566,570		-		4,566,570
	579,988		-		579,988
	8,847		-		8,847
	2,340,321		60,042		2,400,363
	55,021,803		60,042		55,081,845
	(227,554)		7,281,873		7,054,319
	100,010,756		77,144,857		177,155,613
\$	99,783,202	\$	84,426,730	\$	184,209,932

**CITY OF YOUNGSTOWN, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 1,033,221	\$ 61,164	\$ 221,090	\$ -
Receivables:				
Income taxes	6,119,004	1,796,495	2,397,045	-
Real and other taxes	-	-	-	-
Accounts	1,055,252	-	-	-
Interfund loans	-	-	-	-
Special assessments	1,716	-	-	25,942
Due from other funds	-	-	-	-
Due from other governments	1,126,156	-	940,325	1,871,333
Notes receivable	-	-	-	146,474
Materials and supplies inventory	-	1,518	7,253	440
Total assets	<u>\$ 9,335,349</u>	<u>\$ 1,859,177</u>	<u>\$ 3,565,713</u>	<u>\$ 2,044,189</u>
<b>Liabilities:</b>				
Accounts payable	\$ 563,785	\$ 7,045	\$ 32,367	\$ 19,756
Contracts payable	-	189,559	-	-
Accrued wages and benefits payable	351,102	434,929	559,850	25,281
Claims payable	147,009	-	350,168	-
Compensated absences payable	-	43,711	-	-
Early retirement incentive payable	-	101,352	114,051	-
Interfund loans payable	-	-	-	9,770
Due to other funds	1,000,000	-	-	-
Due to other governments	136,084	694,112	691,095	7,130
Accrued interest payable	-	-	-	-
Notes payable	-	-	-	-
Total liabilities	<u>2,197,980</u>	<u>1,470,708</u>	<u>1,747,531</u>	<u>61,937</u>
<b>Deferred Inflows of Resources</b>				
Delinquent property tax revenue not available	-	-	-	-
Property taxes levied for the next fiscal year	-	-	-	-
Income taxes	3,855,540	1,132,076	1,510,519	-
Special assessments	1,716	-	-	25,942
Unavailable revenue	466,602	-	863,196	1,429,904
Total deferred inflows of resources	<u>4,323,858</u>	<u>1,132,076</u>	<u>2,373,715</u>	<u>1,455,846</u>
<b>Fund Balances:</b>				
Nonspendable	21,952	1,518	7,253	440
Restricted	-	-	-	525,966
Committed	-	-	-	-
Assigned	354,247	-	-	-
Unassigned (deficit)	2,437,312	(745,125)	(562,786)	-
Total fund balances (deficit)	<u>2,813,511</u>	<u>(743,607)</u>	<u>(555,533)</u>	<u>526,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,335,349</u>	<u>\$ 1,859,177</u>	<u>\$ 3,565,713</u>	<u>\$ 2,044,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Covelli Centre</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 99,795	\$ 339,245	\$ 7,831,699	\$ 9,586,214
-	-	1,251,576	11,564,120
20,394	2,449,915	-	2,470,309
274,798	-	18,733	1,348,783
-	-	159,770	159,770
-	103	2,330	30,091
-	-	1,000,000	1,000,000
-	123,500	1,769,755	5,831,069
-	-	-	146,474
-	-	215,710	224,921
<u>\$ 394,987</u>	<u>\$ 2,912,763</u>	<u>\$ 12,249,573</u>	<u>\$ 32,361,751</u>
\$ 26,338	\$ -	\$ 210,200	\$ 859,491
-	-	512,872	702,431
-	-	165,755	1,536,917
-	-	-	497,177
-	-	-	43,711
-	-	-	215,403
-	150,000	-	159,770
-	-	-	1,000,000
-	-	170,097	1,698,518
370	-	171	541
135,000	-	215,000	350,000
<u>161,708</u>	<u>150,000</u>	<u>1,274,095</u>	<u>7,063,959</u>
-	1,084,915	-	1,084,915
-	1,365,000	-	1,365,000
-	-	788,692	7,286,827
-	103	2,330	30,091
-	123,500	1,240,983	4,124,185
-	2,573,518	2,032,005	13,891,018
-	-	215,710	246,873
-	189,245	8,647,452	9,362,663
-	-	92,613	92,613
-	-	-	354,247
233,279	-	(12,302)	1,350,378
<u>233,279</u>	<u>189,245</u>	<u>8,943,473</u>	<u>11,406,774</u>
<u>\$ 394,987</u>	<u>\$ 2,912,763</u>	<u>\$ 12,249,573</u>	<u>\$ 32,361,751</u>

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**CITY OF YOUNGSTOWN, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013

<b>Total governmental fund balances</b>	<b>\$ 11,406,774</b>
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	111,319,737
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Property taxes receivable	\$ 1,084,915
Income taxes receivable	7,286,827
Special assessments receivable	30,091
Intergovernmental receivable	<u>4,124,185</u>
Total	12,526,018
On the statement of net position interest is accrued on outstanding bonds, notes and loans payable, whereas in the governmental funds, interest is expensed when due.	(119,761)
Unamortized premiums on bond issuance are not recognized in the funds.	(107,873)
Unamortized bond issuance costs are not recognized in the funds.	367,462
Unamortized deferred charges on refundings are not recognized in the funds.	462,313
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are:	
General obligation bonds	(14,840,000)
HUD Section 108 loans	(1,119,950)
OPWC loan	(257,146)
Notes payable	(11,460,000)
Compensated absences	(6,667,029)
Capital lease payable	<u>(835,635)</u>
Total	(35,179,760)
An internal service fund is used by management to charge the costs of workers compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.	(805,207)
An internal balance is recorded in the governmental activities to reflect overpayments to the internal service fund by the business-type activities.	<u>(86,501)</u>
<b>Net position of governmental activities</b>	<b>\$ 99,783,202</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>General</b>	<b>Fire Levy</b>	<b>Police Levy</b>	<b>Community Development</b>
<b>Revenues:</b>				
Income taxes	\$ 23,003,286	\$ 6,542,386	\$ 8,726,176	\$ -
Real and other taxes	-	-	-	-
Charges for services	7,086,813	-	-	-
Licenses and permits	445,128	-	-	-
Fines and forfeitures	654,251	-	-	-
Intergovernmental	4,406,120	-	508,032	4,162,567
Investment income	8,847	-	-	-
Rental income	254,360	-	2,113	-
Contributions and donations	-	150	100	-
Franchise fees	552,604	-	-	-
Payments in lieu of taxes	391,892	-	-	-
Other	229,291	245,113	181,183	-
<b>Total revenues</b>	<b>37,032,592</b>	<b>6,787,649</b>	<b>9,417,604</b>	<b>4,162,567</b>
<b>Expenditures:</b>				
Current:				
General government	15,254,683	-	-	-
Security of persons and property	2,528,836	13,656,544	18,034,097	-
Public health and welfare	1,335,964	-	-	-
Transportation	-	-	-	-
Community environment	203,788	-	-	3,492,583
Leisure time activity	112,560	-	-	-
Utility services	2,817,926	-	-	-
Capital outlay	-	965,302	-	-
Debt service:				
Principal retirement	18,162	243,476	-	460,000
Interest and fiscal charges	551	6,483	-	113,194
<b>Total expenditures</b>	<b>22,272,470</b>	<b>14,871,805</b>	<b>18,034,097</b>	<b>4,065,777</b>
Excess (deficiency) of revenues over (under) expenditures	14,760,122	(8,084,156)	(8,616,493)	96,790
<b>Other financing sources (uses):</b>				
Note issuance	-	-	-	-
Sale of capital assets	1,149	1,675	1,829	-
Capital lease transactions	-	965,302	-	-
Transfers in	110,000	6,572,000	7,806,000	-
Transfers (out)	(17,454,429)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(17,343,280)</b>	<b>7,538,977</b>	<b>7,807,829</b>	<b>-</b>
Net change in fund balances	(2,583,158)	(545,179)	(808,664)	96,790
<b>Fund balances (deficit) at beginning of year</b>	<b>5,396,669</b>	<b>(198,428)</b>	<b>253,131</b>	<b>429,616</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 2,813,511</b>	<b>\$ (743,607)</b>	<b>\$ (555,533)</b>	<b>\$ 526,406</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Covelli Centre</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 4,568,593	\$ 42,840,441
215,668	1,776,826	-	1,992,494
-	-	176,637	7,263,450
-	-	500	445,628
-	-	375,236	1,029,487
-	247,401	11,722,344	21,046,464
-	-	-	8,847
-	-	1,497,971	1,754,444
-	-	-	250
-	-	-	552,604
-	-	188,096	579,988
256,300	-	1,436,833	2,348,720
471,968	2,024,227	19,966,210	79,862,817
-	135,539	-	15,390,222
-	-	115,657	34,335,134
-	-	688,556	2,024,520
-	-	8,326,339	8,326,339
73,302	-	1,242,035	5,011,708
-	-	2,754,272	2,866,832
-	-	-	2,817,926
-	-	12,432,868	13,398,170
11,010,000	1,151,429	805,297	13,688,364
112,470	690,553	9,011	932,262
11,195,772	1,977,521	26,374,035	98,791,477
(10,723,804)	46,706	(6,407,825)	(18,928,660)
10,875,000	-	585,000	11,460,000
-	-	15,413	20,066
-	-	48,388	1,013,690
-	-	8,099,512	22,587,512
-	(208,083)	(4,925,000)	(22,587,512)
10,875,000	(208,083)	3,823,313	12,493,756
151,196	(161,377)	(2,584,512)	(6,434,904)
82,083	350,622	11,527,985	17,841,678
\$ 233,279	\$ 189,245	\$ 8,943,473	\$ 11,406,774

**CITY OF YOUNGSTOWN, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Net change in fund balances - total governmental funds** **\$ (6,434,904)**

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital asset additions	\$ 5,997,393	
Current year depreciation	<u>(5,565,255)</u>	
Total		432,138

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (28,715)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(167,044)	
Income taxes	2,860,186	
Intergovernmental revenues	559,409	
Special assessments	<u>(3,914)</u>	
Total		3,248,637

Capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the the statement of net position (1,013,960)

Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase long-term liabilities on the statement of net position. (11,460,000)

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 13,688,364

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

Accrued interest	20,874	
Bonds premium	9,052	
Deferred charges on refunding	(25,864)	
Bond issuance costs	<u>(25,292)</u>	
Total		(21,230)

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 973,548

The internal service fund used by management to charge the cost of workers compensation to individual funds is not reported in the expenditures, and related internal service fund revenues are eliminated. The net revenue of the internal service funds, including the internal balance, are allocated among the governmental activities.

388,568

**Change in net position of governmental activities** **\$ (227,554)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Income taxes	\$ 24,765,600	\$ 25,042,959	\$ 24,352,262	\$ (690,697)
Charges for services	6,855,000	7,240,000	7,148,518	(91,482)
Licenses and permits	472,000	472,000	275,857	(196,143)
Fines and forfeitures	623,000	623,000	696,844	73,844
Intergovernmental	3,622,000	4,752,000	4,058,152	(693,848)
Investment income	10,000	10,000	8,847	(1,153)
Rental income	270,000	270,000	254,360	(15,640)
Franchise fees	600,000	600,000	564,796	(35,204)
Payment in lieu of taxes	390,000	390,000	391,892	1,892
Other	70,000	120,000	209,809	89,809
Total revenues	<u>37,677,600</u>	<u>39,519,959</u>	<u>37,961,337</u>	<u>(1,558,622)</u>
<b>Expenditures:</b>				
Current:				
General government	13,343,457	14,153,929	13,129,019	1,024,910
Security of persons and property	1,316,500	1,338,116	1,285,003	53,113
Public health and welfare	1,596,231	1,598,085	1,335,964	262,121
Community environment	244,078	244,078	203,788	40,290
Basic utility services	3,104,050	3,105,814	2,345,587	760,227
Total expenditures	<u>19,604,316</u>	<u>20,440,022</u>	<u>18,299,361</u>	<u>2,140,661</u>
Excess of revenues over expenditures	<u>18,073,284</u>	<u>19,079,937</u>	<u>19,661,976</u>	<u>582,039</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	1,149	1,149
Transfers in	2,734,000	226,000	225,684	(316)
Transfers (out)	<u>(21,352,180)</u>	<u>(19,767,180)</u>	<u>(19,767,180)</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,618,180)</u>	<u>(19,541,180)</u>	<u>(19,540,347)</u>	<u>833</u>
Net change in fund balance	(544,896)	(461,243)	121,629	582,872
<b>Fund balance at beginning of year (restated)</b>	<u>583,199</u>	<u>583,199</u>	<u>583,199</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 38,303</u>	<u>\$ 121,956</u>	<u>\$ 704,828</u>	<u>\$ 582,872</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FIRE LEVY  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Income taxes	\$ 6,623,600	\$ 7,100,500	\$ 6,905,833	\$ (194,667)
Intergovernmental	-	550,000	-	(550,000)
Contributions and donations	-	20,000	150	(19,850)
Other	5,000	241,000	245,113	4,113
Total revenues	<u>6,628,600</u>	<u>7,911,500</u>	<u>7,151,096</u>	<u>(760,404)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	14,789,599	14,818,486	14,025,680	792,806
Total expenditures	<u>14,789,599</u>	<u>14,818,486</u>	<u>14,025,680</u>	<u>792,806</u>
Excess of expenditures over revenues	<u>(8,160,999)</u>	<u>(6,906,986)</u>	<u>(6,874,584)</u>	<u>32,402</u>
<b>Other financing sources:</b>				
Sale of capital assets	-	1,500	1,675	175
Transfers in	7,932,000	6,692,000	6,692,000	-
Total other financing sources	<u>7,932,000</u>	<u>6,693,500</u>	<u>6,693,675</u>	<u>175</u>
Net change in fund balance	(228,999)	(213,486)	(180,909)	32,577
<b>Fund balance at beginning of year (restated)</b>	242,073	242,073	242,073	-
<b>Fund balance at end of year</b>	<u>\$ 13,074</u>	<u>\$ 28,587</u>	<u>\$ 61,164</u>	<u>\$ 32,577</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
POLICE LEVY  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Income taxes	\$ 8,831,400	\$ 9,215,000	\$ 9,214,395	\$ (605)
Fines and forfeitures	3,000	(15,000)	(14,209)	791
Intergovernmental	750,000	1,184,340	449,747	(734,593)
Rental income	2,000	2,200	2,113	(87)
Contributions and donations	-	-	100	100
Other	27,000	183,700	181,183	(2,517)
Total revenues	<u>9,613,400</u>	<u>10,570,240</u>	<u>9,833,329</u>	<u>(736,911)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	<u>18,765,623</u>	<u>18,615,739</u>	<u>17,819,916</u>	<u>795,823</u>
Total expenditures	<u>18,765,623</u>	<u>18,615,739</u>	<u>17,819,916</u>	<u>795,823</u>
Excess of expenditures over revenues	<u>(9,152,223)</u>	<u>(8,045,499)</u>	<u>(7,986,587)</u>	<u>58,912</u>
<b>Other financing sources:</b>				
Sale of capital assets	7,500	1,900	1,829	(71)
Transfers in	<u>8,756,000</u>	<u>7,808,500</u>	<u>7,808,500</u>	<u>-</u>
Total other financing sources	<u>8,763,500</u>	<u>7,810,400</u>	<u>7,810,329</u>	<u>(71)</u>
Net change in fund balance	(388,723)	(235,099)	(176,258)	58,841
<b>Fund balance at beginning of year (restated)</b>	<u>397,348</u>	<u>397,348</u>	<u>397,348</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u><u>\$ 8,625</u></u>	<u><u>\$ 162,249</u></u>	<u><u>\$ 221,090</u></u>	<u><u>\$ 58,841</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
COVELLI CENTRE  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Other local taxes	\$ 200,000	\$ 200,000	\$ 197,231	\$ (2,769)
Other	223,552	260,000	257,426	(2,574)
Total revenues	423,552	460,000	454,657	(5,343)
<b>Expenditures:</b>				
Current:				
Community environment	65,000	80,000	46,964	33,036
Debt service:				
Principal retirement	325,000	320,000	320,000	-
Interest and fiscal charges	113,500	113,500	112,985	515
Total expenditures	503,500	513,500	479,949	33,551
Excess of expenditures over revenues	(79,948)	(53,500)	(25,292)	28,208
<b>Other financing sources:</b>				
Loan repayment	72,312	79,000	78,341	(659)
Transfers in	12,000	-	-	-
Total other financing sources	84,312	79,000	78,341	(659)
Net change in fund balance	4,364	25,500	53,049	27,549
<b>Fund balance at beginning of year</b>	46,746	46,746	46,746	-
<b>Fund balance at end of year</b>	<b>\$ 51,110</b>	<b>\$ 72,246</b>	<b>\$ 99,795</b>	<b>\$ 27,549</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
COMMUNITY DEVELOPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental	\$ 6,000,000	\$ 6,000,000	\$ 4,100,400	\$ (1,899,600)
Total revenues	<u>6,000,000</u>	<u>6,000,000</u>	<u>4,100,400</u>	<u>(1,899,600)</u>
<b>Expenditures:</b>				
Current:				
Community environment	6,075,215	6,108,309	4,072,965	2,035,344
Debt Service:				
Principal Retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>6,075,215</u>	<u>6,108,309</u>	<u>4,072,965</u>	<u>2,035,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,215)</u>	<u>(108,309)</u>	<u>27,435</u>	<u>135,744</u>
<b>Other financing sources:</b>				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(75,215)	(108,309)	27,435	135,744
<b>Fund balance (deficit) at beginning of year (restated)</b>	<u>(37,205)</u>	<u>(37,205)</u>	<u>(37,205)</u>	<u>-</u>
<b>Fund balance (deficit) at end of year</b>	<u><u>\$ (112,420)</u></u>	<u><u>\$ (145,514)</u></u>	<u><u>\$ (9,770)</u></u>	<u><u>\$ 135,744</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 8,367,314	\$ 8,770,735	\$ 17,138,049	\$ 1,955,172
Receivables:				
Accounts	4,878,962	4,359,301	9,238,263	-
Due from other governments	163,098	-	163,098	-
Materials and supplies inventory	658,590	297,287	955,877	-
Total current assets	<u>14,067,964</u>	<u>13,427,323</u>	<u>27,495,287</u>	<u>1,955,172</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	7,504,852	5,244,702	12,749,554	-
Depreciable capital assets, net	44,382,759	31,467,917	75,850,676	-
Total capital assets, net	<u>51,887,611</u>	<u>36,712,619</u>	<u>88,600,230</u>	<u>-</u>
Total assets	<u>65,955,575</u>	<u>50,139,942</u>	<u>116,095,517</u>	<u>1,955,172</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	76,584	1,117,817	1,194,401	-
Contracts payable	952,227	811,708	1,763,935	-
Accrued wages and benefits payable	243,888	268,980	512,868	-
Due to other governments	141,932	74,134	216,066	-
Current portion of compensated absences payable	130,896	158,177	289,073	-
Current portion of claims payable	-	-	-	662,500
Accrued interest payable	186,858	258,264	445,122	-
OWDA loans payable	540,824	548,606	1,089,430	-
OPWC loans payable	21,596	129,453	151,049	-
ODOT loans payable	120,826	120,826	241,652	-
Total current liabilities	<u>2,415,631</u>	<u>3,487,965</u>	<u>5,903,596</u>	<u>662,500</u>
Long-term liabilities:				
Compensated absences payable	594,503	718,409	1,312,912	-
Claims payable	-	-	-	2,097,879
OWDA loans payable	9,475,156	10,700,560	20,175,716	-
OPWC loans payable	755,634	2,285,094	3,040,728	-
ODOT loans payable	661,168	661,168	1,322,336	-
Total long-term liabilities	<u>11,486,461</u>	<u>14,365,231</u>	<u>25,851,692</u>	<u>2,097,879</u>
Total liabilities	<u>13,902,092</u>	<u>17,853,196</u>	<u>31,755,288</u>	<u>2,760,379</u>
<b>Net assets:</b>				
Net investment in capital assets	40,312,407	22,266,912	62,579,319	-
Unrestricted	11,741,076	10,019,834	21,760,910	(805,207)
Total net position	<u>\$ 52,053,483</u>	<u>\$ 32,286,746</u>	<u>84,340,229</u>	<u>\$ (805,207)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds			86,501	
Net position of business-type activities			<u>\$ 84,426,730</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Operating revenues:</b>				
Charges for services	\$ 22,277,915	\$ 32,811,143	\$ 55,089,058	\$ 1,106,713
Other operating revenues	-	44,506	44,506	-
Total operating revenues	<u>22,277,915</u>	<u>32,855,649</u>	<u>55,133,564</u>	<u>1,106,713</u>
<b>Operating expenses:</b>				
Personal services	6,672,760	7,634,008	14,306,768	-
Contract services	7,007,864	5,336,856	12,344,720	-
Materials and supplies	1,436,905	15,849,734	17,286,639	-
Claims expense	-	-	-	577,083
Depreciation	<u>2,179,484</u>	<u>1,011,306</u>	<u>3,190,790</u>	<u>-</u>
Total operating expenses	<u>17,297,013</u>	<u>29,831,904</u>	<u>47,128,917</u>	<u>577,083</u>
Operating income	<u>4,980,902</u>	<u>3,023,745</u>	<u>8,004,647</u>	<u>529,630</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges	(329,389)	(549,983)	(879,372)	-
Gain on sale of capital assets	<u>15,130</u>	<u>406</u>	<u>15,536</u>	<u>-</u>
Total nonoperating expenses	<u>(314,259)</u>	<u>(549,577)</u>	<u>(863,836)</u>	<u>-</u>
Income before transfers	<u>4,666,643</u>	<u>2,474,168</u>	<u>7,140,811</u>	<u>529,630</u>
Transfer in	44,968	-	44,968	-
Transfer out	<u>-</u>	<u>(44,968)</u>	<u>(44,968)</u>	<u>-</u>
Change in net position	4,711,611	2,429,200	7,140,811	529,630
<b>Net assets (deficit) at beginning of year</b>	<u>47,341,872</u>	<u>29,857,546</u>		<u>(1,334,837)</u>
<b>Net assets (deficit) at end of year</b>	<u>\$ 52,053,483</u>	<u>\$ 32,286,746</u>		<u>\$ (805,207)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise fund			<u>141,062</u>	
Change in net position of business-type activities			<u>\$ 7,281,873</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF YOUNGSTOWN, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 22,089,954	\$ 32,596,475	\$ 54,686,429	\$ -
Cash received from other funds	-	-	-	1,106,713
Cash received from other operations	-	44,506	44,506	-
Cash payments for personal services	(7,113,901)	(7,681,876)	(14,795,777)	-
Cash payments for contract services	(6,226,089)	(3,505,084)	(9,731,173)	-
Cash payments for materials and supplies	(1,715,468)	(15,834,430)	(17,549,898)	-
Cash payments for claims	-	-	-	(555,627)
Net cash provided by operating activities	7,034,496	5,619,591	12,654,087	551,086
<b>Cash flows from noncapital financing activities:</b>				
Cash received from (used for) transfers in (out)	44,968	(44,968)	-	-
Net cash provided by (used in) noncapital financing activities	44,968	(44,968)	-	-
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(5,417,265)	(4,188,320)	(9,605,585)	-
Gain on sale of capital assets	15,130	406	15,536	-
Principal retirement on loans	(444,704)	(643,105)	(1,087,809)	-
Loan issuances	4,283,424	3,687,995	7,971,419	-
Interest and fiscal charges	(329,389)	(549,983)	(879,372)	-
Net cash used in capital and related financing activities	(1,892,804)	(1,693,007)	(3,585,811)	-
Net increase in cash and cash equivalents	5,186,660	3,881,616	9,068,276	551,086
<b>Cash and cash equivalents at beginning of year</b>	3,180,654	4,889,119	8,069,773	1,404,086
<b>Cash and cash equivalents at end of year</b>	<u>\$ 8,367,314</u>	<u>\$ 8,770,735</u>	<u>\$ 17,138,049</u>	<u>\$ 1,955,172</u>

**CITY OF YOUNGSTOWN, OHIO**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 4,980,902	\$ 3,023,745	\$ 8,004,647	\$ 529,630
Adjustments:				
Depreciation	2,179,484	1,011,306	3,190,790	-
Changes in assets and liabilities				
(Increase) decrease in materials and supplies inventory	(278,563)	15,304	(263,259)	-
Increase in accounts receivable	(215,157)	(218,606)	(433,763)	-
Increase in intergovernmental receivable	(17,096)	-	(17,096)	-
Increase (decrease) in accounts payable	(132,715)	1,170,536	1,037,821	-
Increase in contracts payable	492,870	701,708	1,194,578	-
Increase in accrued wages and benefits	21,473	23,252	44,725	-
Increase (decrease) in intergovernmental payable	12,058	(46,649)	(34,591)	-
Decrease in compensated absences payable	(8,760)	(61,005)	(69,765)	-
Increase in claims payable	-	-	-	21,456
Net cash provided by operating activities	<u>\$ 7,034,496</u>	<u>\$ 5,619,591</u>	<u>\$ 12,654,087</u>	<u>\$ 551,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF YOUNGSTOWN, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2013**

	<u>Agency</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 4,392,562
Cash in segregated accounts	272,934
Receivables:	
Income taxes	22,444
Accounts	<u>769,548</u>
Total assets	<u><u>\$ 5,457,488</u></u>
<b>Liabilities:</b>	
Due to other governments	\$ 688,075
Deposits held and due to others	<u>4,769,413</u>
Total liabilities	<u><u>\$ 5,457,488</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 1 - DESCRIPTION OF THE CITY**

The City of Youngstown, Ohio (the "City") is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted May 15, 1923. The Mayor is elected to a four-year term and seven council members are each elected for a two-year term.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City's significant accounting policies are described below.

##### **A. Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34."

The primary government comprises all activities and services which are not legally separate from the City. The City provides various services including a municipal court, public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), public health, sewers, sanitation, parking, and general administrative and legislative services. The operation of each of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the financial statements incomplete or misleading. The City has no component units.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### *JOINTLY GOVERNED ORGANIZATIONS*

###### Western Reserve Transit Authority

The Western Reserve Transit Authority (WRTA) is a legally separate entity created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the greater Youngstown area. Prior to January 1, 2009, the WRTA was reported as a component unit of the City. Effective for 2009, an amendment was made to add and include Mahoning County to the WRTA. In addition, the former five-member Board of Trustees which was appointed by the City (four by the mayor and one by City Council) was amended to be governed by a seven member Board of Trustees in which the City appoints three members and Mahoning County appoints four members. Continued existence of the WRTA is not dependent on the City's continued participation. The City does not make any financial contributions to the WRTA. Funding is received through property taxes, charges for services, and State and federal subsidies and grants. Separately issued financial statements can be obtained from the Western Reserve Transit Authority, 604 Mahoning Avenue, Youngstown, Ohio 44502.

###### Mahoning County Drug Task Force

The City's police department participates in the Mahoning County Drug Task Force (the "Force") which is jointly governed by its thirteen participants: nine local police departments and four federal law enforcement agencies. Each participant has one representative on the Board of Control. Each participant's control over the operation of the Force is limited to its representation on the Board. The Force uses the talents and resources of the participants to combat the trafficking of illicit narcotics. Continued existence of the Force is not dependent on the City's continued participation. Funding is provided by the Governor's Office of Criminal Justice Services and forfeitures and fines. None of the participants made financial contributions in 2013. Austintown Township served as the fiscal agent for the Force during 2013. Financial information can be obtained from the Mahoning County Drug Task Force, 82 Ohltown Road, Austintown, Ohio 44515.

###### East Gate Regional Council of Governments

The East Gate Regional Council of Governments (EGRCG) is a jointly governed organization among 27 local governments in Ashtabula, Columbiana, Mahoning and Trumbull counties. The Board is comprised of one representative from each city, village, county or governmental agency and one additional representative for each 20,000 population. The City of Youngstown currently has five representatives on the 48-member Board. Each participant's control over the operation of EGRCG is limited to its representation on the Board. EGRCG develops and reviews plans for regional growth and development and aids in coordinating plans among local governments. Continued existence of EGRCG is not dependent on the City's continued participation. In 2013, the City contributed \$23,444. Complete financial statements can be obtained from the East Gate Regional Council of Governments, 100 Federal Plaza East, Youngstown, Ohio 44503.

###### Youngstown Metropolitan Housing Authority

The Youngstown Metropolitan Housing Authority (YMHA) is a jointly governed organization among four local governments created to provide subsidized public housing. The City appoints two members of the five-member Board. Each participant's control over the operation of YMHA is limited to its representation on the Board. Continued existence of YMHA is not dependent on the City's continued participation. The City does not make any financial contributions to YMHA. Funding is received through state and federal subsidies and grants. Complete financial statements can be obtained from the Youngstown Metropolitan Housing Authority, 131 W. Boardman Street, Youngstown, Ohio 44503.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Metropolitan Fire Investigation Unit

The Metropolitan Fire Investigation Unit (MFIU) is a jointly governed organization among eight local governments. The Board of Governors is comprised of one representative from each participating government. The MFIU was created to investigate major fires and explosions of unknown or suspicious cause and to aid in the prosecution of those persons or groups responsible. Each participant's control over the operation of MFIU is limited to its representation on the Board. Continued existence of MFIU is not dependent on the City's continued participation. The City does not make any financial contributions to MFIU. Funding is received through insurance companies and donations. Financial information can be obtained from the Metropolitan Fire Investigation Unit, 3025 South Avenue, Youngstown, Ohio 44502.

##### Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 190 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2006.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

The City is also associated with the Community Improvement Corporation (CIC). The CIC is a not-for-profit corporation which was formed in 1988. The 20 member Board, which consists of 8 members appointed by the City and 12 local businessmen, promotes industrial and economic development within the central area of the City. The CIC has been excluded from the reporting entity.

#### **B. Basis of Presentation - Fund Accounting**

The City's (BFS) consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer and water operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The agency funds do not report a measurement focus as they do not report operations.

#### C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Fire levy fund* - This fund accounts for revenues collected for fire operations.

*Police levy fund* - This fund accounts for revenues collected for police operations.

*Bond retirement fund* - This fund accounts for various revenues collected for payment of general obligation debt principal, interest and related costs.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Community development fund - This fund accounts for monies received from the Federal Government under the Community Development Block Grant Program, the Emergency Shelter Program

Covelli Centre fund - This fund accounts for the operations and maintenance of the Covelli Centre.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Proprietary Funds** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the operations of providing sewage services to customers and to maintain the local sewer system of the City.

Water fund - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

Internal service fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of workers compensation retrospective rating plan.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are agency funds.

#### D. Measurement Focus and Basis of Accounting

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

#### **E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions** - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, rentals and special assessments.

**Deferred Outflows/Inflows of Resources** - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2013. The amounts have been recorded as deferred inflow on both the government-wide statement of net position and the government fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary controls is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

**Tax Budget** - Ohio Revised Code Section 5705.28 required the Mayor to present the annual operating budget for the following fiscal year to City Council for consideration and passage at the first Council meeting in July. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The City obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt an operating budget nor submit the operating budget to the County Auditor.

**Estimated Resources** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificates of estimated resources issued during 2013.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Appropriations** - A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The Director of Finance is authorized to transfer appropriations between line items within an object of any department.

During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by Council.

**Lapsing of Appropriations** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations except for grant funds and capital projects funds, unencumbered balances for these funds are rolled forward and are not reappropriated. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

#### **G. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2013, investments were limited to investments in U.S. Government money market accounts and a U.S Treasury bill. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$8,847, of which \$7,654 was assigned from other City funds.

These interest-bearing depository accounts and short-term investments in certificates of deposit are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are not reported as investments.

An analysis of the City's investment account at year end is provided in Note 4.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

##### **H. Inventories of Materials and Supplies**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

##### **I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. The City's infrastructure consists of traffic signals, sidewalks, bridges, culverts, storm sewers, streets, and water and sewer lines. Governmental activities infrastructure consisting of traffic signals, sidewalks and streets were reported retroactively back to 1980 and governmental activities infrastructure consisting of bridges and culverts were reported retroactively back to 1919. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

# CITY OF YOUNGSTOWN, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Buildings	50	50
Improvements other than buildings	20	20
Machinery and equipment	5 - 30	5 - 30
Computer software	5	5
Vehicles	8	8
Infrastructure	15 - 65	65

#### J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability for the City using the vesting method. A liability is accrued for thirty-five percent of accumulated unused sick leave for all employees since the employees are entitled to that amount if they leave the City's employment for any reason. This item is discussed further in Note 15 to the BFS.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**M. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### **O. Estimates**

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

#### **P. Net Position**

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **Q. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and workers compensation programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Administration and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report at December 31, 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Recent Accounting Pronouncements:**

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the City's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at December 31, 2013 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
<u>Major funds:</u>	
Fire levy	\$ 743,607
Police levy	555,533
<u>Nonmajor fund:</u>	
Ashford Commons development	12,302
Public works	5,528
Demolition	88,383

All funds listed above complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities and short-term notes payable.

**C. Compliance**

The City had negative cash balance in the community development fund (a major special revenue fund) at December 31, 2013, indicating that revenues from other sources were used to pay obligations of the fund contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, the negative amount has been reported as a fund liability in the general fund (See Note 5.B).

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

##### A. Deposits with Financial Institutions

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2013, the carrying amount of all City deposits was \$33,344,931. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, \$34,054,446 of the City's bank balance of \$35,646,430 was exposed to custodial risk as discussed below, while \$1,591,984 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

##### B. Investments

As of December 31, 2013, the City did not hold investments.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The City's investment in the U.S. Treasury Bill was rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in U.S. Government money markets were rated AAA by Standard & Poor's. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The U.S. Treasury Bill is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Director of Finance or qualified trustee.

**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer.

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2013.

Cash and investments per note

Carrying amount of deposits	\$ 33,344,931
Investments	<u>-</u>
Total	<u>\$ 33,344,931</u>

Cash and investments per statement of net assets

Governmental activities	\$ 11,541,386
Business-type activities	17,138,049
Agency funds	<u>4,665,496</u>
Total	<u>\$ 33,344,931</u>

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**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended December 31, 2013, consisted of the following, as reported in the fund financial statements:

Transfers to general fund from:

Nonmajor governmental funds	\$ 110,000
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Transfers to fire levy from:

General	6,572,000
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Transfers to policy levy from:

General	7,806,000
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Transfers to nonmajor governmental funds from:

General	3,076,429
Debt service	208,083
Nonmajor governmental funds	4,815,000

Transfers to sewer fund from:

Water fund	<u>44,968</u>
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Total	<u>\$ 22,632,480</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers amounting to \$208,083 from the debt service fund to the Commons development nonmajor capital projects fund was required to fund the debt service requirement in the fund which reports the liability. A transfer of \$44,968 from the water fund to the sewer fund was required to fund the debt service requirement in the fund which reports the liability.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund loans consisted of the following at December 31, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	Debt service fund	\$ 150,000
Nonmajor governmental funds	General fund	1,000,000
Nonmajor governmental funds	Community development fund	<u>9,770</u>
Total		<u>\$1,159,770</u>

The primary purpose of the interfund loans is to cover negative cash in various governmental funds and to cover costs in funds where revenues were not received by December 31, 2013. The interfund loans are expected to be repaid within the next year.

**NOTE 6 - INCOME TAXES**

The City levies an income tax of two and three quarter percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit not to exceed two and three quarter percent on income earned outside the City and paid to other municipalities.

Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Income tax revenue is credited to four funds. Of the original two percent levied, the general fund receives one and one-half percent and of the remaining one-half percent, 40 percent is credited to the police levy special revenue fund, 35 percent to the fire levy special revenue fund, and 25 percent to the ¼ of 5 mil capital improvement capital projects fund.

An additional one-quarter percent was levied for 1997. Of this additional one-quarter percent 50 percent is credited to the police levy special revenue fund, 25 percent to the fire levy special revenue fund and 25 percent to the ¼ of 5 mil capital improvement capital projects fund.

Effective January 1, 2003, the citizens of the City voted for an additional one half percent to bring the total tax levied on income to two and three quarter percent. Of the additional one half percent levied, 45 percent is credited to the police levy special revenue fund, 35 percent to the fire levy special revenue fund and 20 percent to the ¼ of 5 mil capital improvement capital projects fund.

In addition, the City receives income tax monies as the result of its agreement with the City of Girard for a Joint Economic Development Zone (JEDZ). Businesses within the JEDZ pay taxes on income earned within the JEDZ and are required to withhold income tax on employee earnings and remit the tax to the City. The City is responsible for collection and administration of the income tax for the JEDZ. The City is entitled to 45% of all income taxes collected from the JEDZ and the City of Girard is entitled to the remaining 55%.

The Regional Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of three percent.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Youngstown. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2013 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2013 was \$3.70 per \$1,000 of assessed value.

The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

#### Real Property

Residential/Agricultural	\$ 262,598,260
Commercial/Industrial/Mineral	157,644,840
Public Utility	<u>47,915,770</u>
Total Assessed Value	<u>\$ 468,158,870</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 8 - SPECIAL ASSESSMENTS**

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners which benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include street lighting, demolitions including board-ups and asbestos abatement, curbs, sidewalks, sewer rehabilitation and weed cutting which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), notes, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2013.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Income taxes	\$ 11,564,120
Real and other taxes	2,470,309
Accounts	1,348,783
Notes	146,474
Special assessments	30,091
Due from other governments	5,831,069

**Business-type activities:**

Accounts - gross	\$ 12,311,903
Less - allowance for uncollectibles	<u>(3,073,640)</u>
Net accounts receivable	<u>\$ 9,238,263</u>

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment and notes receivable which will be repaid over a period ranging from one to eight years. Accounts receivable in the business-type activities for utilities have been reported net of a twenty-five percent allowance for uncollectible accounts.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, for governmental activities was as follows:

<b><u>Governmental activities:</u></b>	<b><u>Balance 12/31/12</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance 12/31/13</u></b>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,333,765	\$ 4,500	\$ (14,116)	\$ 14,324,149
Construction in progress	<u>872,200</u>	<u>1,097,067</u>	<u>(872,200)</u>	<u>1,097,067</u>
Total capital assets, not being depreciated	<u>15,205,965</u>	<u>1,101,567</u>	<u>(886,316)</u>	<u>15,421,216</u>
<i>Capital assets, being depreciated:</i>				
Buildings	52,593,482	252,727	(3,074,082)	49,772,127
Improvements other than buildings	5,534,949	82,954	(18,595)	5,599,308
Machinery and equipment	15,920,986	730,435	(73,777)	16,577,644
Computer software	593,552	-	-	593,552
Vehicles	9,933,778	1,333,471	(223,492)	11,043,757
Infrastructure	<u>69,913,865</u>	<u>6,624,914</u>	<u>-</u>	<u>76,538,779</u>
Total capital assets, being depreciated	<u>154,490,612</u>	<u>9,024,501</u>	<u>(3,389,946)</u>	<u>160,125,167</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(14,645,553)	(1,499,467)	6,391	(16,138,629)
Improvements other than buildings	(2,636,963)	(239,370)	13,668	(2,862,665)
Machinery and equipment	(11,189,870)	(982,515)	65,852	(12,106,533)
Computer Software	(590,562)	(2,990)	-	(593,552)
Vehicles	(8,654,369)	(475,539)	222,904	(8,907,004)
Infrastructure	<u>(21,252,889)</u>	<u>(2,365,374)</u>	<u>-</u>	<u>(23,618,263)</u>
Total accumulated depreciation	<u>(58,970,206)</u>	<u>(5,565,255)</u>	<u>308,815</u>	<u>(64,226,646)</u>
Total capital assets, being depreciated, net	<u>95,520,406</u>	<u>3,459,246</u>	<u>(3,081,131)</u>	<u>95,898,521</u>
Governmental activities capital assets, net	<u>\$ 110,726,371</u>	<u>\$ 4,560,813</u>	<u>\$ (3,967,447)</u>	<u>\$ 111,319,737</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the year ended December 31, 2013, for business-type activities was as follows:

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
<b><u>Business-type activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 562,688	\$ -	\$ -	\$ 562,688
Construction in progress	<u>6,317,110</u>	<u>9,737,938</u>	<u>(3,868,182)</u>	<u>12,186,866</u>
Total capital assets, not being depreciated	<u>6,879,798</u>	<u>9,737,938</u>	<u>(3,868,182)</u>	<u>12,749,554</u>
<i>Capital assets, being depreciated:</i>				
Buildings	48,162,670	2,277,002	-	50,439,672
Improvements other than buildings	2,754,398	-	-	2,754,398
Machinery and equipment	29,774,430	398,505	-	30,172,935
Computer software	686,456	-	-	686,456
Vehicles	4,810,277	92,408	(60,701)	4,841,984
Infrastructure	<u>57,172,496</u>	<u>967,915</u>	<u>-</u>	<u>58,140,411</u>
Total capital assets, being depreciated	<u>143,360,727</u>	<u>3,735,830</u>	<u>(60,701)</u>	<u>147,035,856</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(21,589,618)	(1,176,704)	-	(22,766,322)
Improvements other than buildings	(2,192,851)	(40,027)	-	(2,232,878)
Machinery and equipment	(23,721,289)	(754,445)	-	(24,475,734)
Computer software	(137,291)	(68,646)	-	(205,937)
Vehicles	(3,447,105)	(328,635)	60,701	(3,715,039)
Infrastructure	<u>(16,966,937)</u>	<u>(822,333)</u>	<u>-</u>	<u>(17,789,270)</u>
Total accumulated depreciation	<u>(68,055,091)</u>	<u>(3,190,790)</u>	<u>60,701</u>	<u>(71,185,180)</u>
Total capital assets, being depreciated, net	<u>75,305,636</u>	<u>545,040</u>	<u>-</u>	<u>75,850,676</u>
Business-type activities capital assets, net	<u>\$ 82,185,434</u>	<u>\$10,282,978</u>	<u>\$ (3,868,182)</u>	<u>\$ 88,600,230</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

General government	\$ 417,406
Security of persons and property	635,045
Public health and welfare	65,471
Transportation	2,669,739
Leisure time activity	356,135
Community environment	<u>1,421,459</u>
Total depreciation expense - governmental	<u>\$ 5,565,255</u>

**Business-type activities:**

Sewer	\$ 2,179,484
Water	<u>1,011,306</u>
Total depreciation expense - business-type activities	<u>\$ 3,190,790</u>

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During the current year, the City entered into capital leases for equipment and a fire truck. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined BFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of equipment and vehicles have been capitalized in the statement of net position in the amount of \$168,374 and \$889,276, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net position. Principal payments made during 2013 totaled \$18,162 paid by the general fund, \$243,476 paid by the fire levy fund and \$5,297 paid by nonmajor governmental funds. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 123,129
2015	123,129
2016	101,501
2017	97,175
2018	90,947
Thereafter	<u>432,603</u>
Total	968,484
Less: amount representing interest	<u>(132,849)</u>
Present value of net minimum lease payments	<u>\$ 835,635</u>

**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 12 - LONG-TERM OBLIGATIONS**

During 2013, the following changes occurred in governmental activities long-term obligations:

<b>Governmental activities:</b>	<b>Interest Rate</b>	<b>Restated Balance 12/31/12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/13</b>	<b>Amounts Due in One Year</b>
<u><b>General Obligation Bonds</b></u>						
2000 Pension refunding bonds	4.40-6.00%	\$ 810,000	\$ -	\$ (255,000)	\$ 555,000	\$ 270,000
2006 Pension refunding bonds	3.65-4.25%	8,285,000	-	(25,000)	8,260,000	25,000
2005 Various purpose refunding bonds	3.00-4.375%	<u>6,875,000</u>	<u>-</u>	<u>(850,000)</u>	<u>6,025,000</u>	<u>885,000</u>
Total General obligation bonds		<u>15,970,000</u>	<u>-</u>	<u>(1,130,000)</u>	<u>14,840,000</u>	<u>1,180,000</u>
<u><b>HUD Section 108 Loans</b></u>						
Youngstown CIC	6.84-9.03%	295,000	-	(145,000)	150,000	150,000
Youngstown CIC #2	6.13%	209,950	-	(110,000)	99,950	99,950
Housing rehab section 108	6.84-9.03%	400,000	-	(50,000)	350,000	50,000
Youngstown mini-loan	6.84-9.03%	<u>675,000</u>	<u>-</u>	<u>(155,000)</u>	<u>520,000</u>	<u>165,000</u>
Total HUD Section 108		<u>1,579,950</u>	<u>-</u>	<u>(460,000)</u>	<u>1,119,950</u>	<u>464,950</u>
<u><b>Notes Payable</b></u>						
Taxable Street Improvements, series 2012	1.00%	800,000	-	(800,000)	-	-
Taxable Street Improvements, series 2013	1.40%	-	585,000	-	585,000	-
Taxable Convocation Center, series 2012	1.00%	11,010,000	-	(11,010,000)	-	-
Taxable Convocation Center, series 2013	1.40%	<u>-</u>	<u>10,875,000</u>	<u>-</u>	<u>10,875,000</u>	<u>-</u>
Total notes payable		<u>11,810,000</u>	<u>11,460,000</u>	<u>(11,810,000)</u>	<u>11,460,000</u>	<u>-</u>
<u><b>Other Long-Term Obligations</b></u>						
OPWC loan	0.00%	278,574	-	(21,428)	257,146	21,429
Capital lease obligation		88,880	1,013,690	(266,935)	835,635	95,220
Claims payable		2,738,924	21,455	-	2,760,379	662,500
Early retirement incentive		634,254	-	(418,851)	215,403	215,403
Compensated absences		<u>7,278,674</u>	<u>-</u>	<u>(567,934)</u>	<u>6,710,740</u>	<u>1,210,928</u>
Total other long-term obligations		<u>11,019,306</u>	<u>1,035,145</u>	<u>(1,275,148)</u>	<u>10,779,303</u>	<u>2,205,480</u>
Total governmental activities long-term obligations		<u>\$ 40,379,256</u>	<u>\$ 12,495,145</u>	<u>\$ (14,675,148)</u>	38,199,253	<u>\$ 3,850,430</u>
Add: Unamortized premium on bond issue					107,873	
Less: Unamortized deferred changes on refundings					<u>(462,313)</u>	
Total reported on statement of net position					<u>\$ 37,844,813</u>	

**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

During 2013, the following changes occurred in business-type activities long-term obligations:

<b>Business-type activities:</b>	<b>Interest Rate</b>	<b>Balance 12/31/12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/13</b>	<b>Amounts Due in One Year</b>
<u><b>OWDA loans</b></u>						
Orchard meadow overflow elimination	3.81%	\$ 3,285,111	\$ -	\$ (190,157)	\$ 3,094,954	\$ 197,470
Pump station improvements	3.79%	1,084,800	-	(62,877)	1,021,923	65,283
Waterline replacement	4.48%	127,388	-	(8,223)	119,165	8,596
Elevated storage tanks	4.48%	1,501,417	-	(79,140)	1,422,277	82,726
Waterline construction	3.99%	167,629	-	(8,353)	159,276	8,690
WWTP roof replacement	3.25%	583,072	-	(17,657)	565,415	25,083
Sludge storage tank covers	3.25%	475,907	-	(12,227)	463,680	20,814
Woodland & Andrews Ave.	3.25%	339,567	-	(14,144)	325,423	14,608
Boardman storage tank	3.83%	1,612,424	-	(61,276)	1,551,148	63,645
Roger Lindgren Way – forcemain	4.14%	541,318	-	(18,507)	522,811	19,281
Roger Lindgren Way – waterlines	3.49%	1,297,609	-	(53,889)	1,243,720	55,304
Meadowbrook flow equalization basis	2.86%	18,391	4,003,383	-	4,021,774	198,285
Myrtle Ave. pump station	3.30%	1,153,330	25,251	(43,905)	1,134,676	45,366
Briar Hill elevated storage tank	4.29%	2,156,112	-	(74,748)	2,081,364	79,668
Water Department maintenance complex	3.45%	20,333	3,617,778	(100,571)	3,537,540	204,611
<b>Total OWDA loans</b>		<b>14,364,408</b>	<b>7,646,412</b>	<b>(745,674)</b>	<b>21,265,146</b>	<b>1,089,430</b>
<u><b>OPWC loans</b></u>						
Kirk Rd. water storage tank	0.00%	661,066	-	(47,219)	613,847	47,219
Boardman elevated water tank	0.00%	1,127,715	-	(28,193)	1,099,522	56,386
Gypsy Lane water and sanitary improvements	0.00%	207,041	-	(13,357)	193,684	13,357
Kirkmere sanitary sewer	0.00%	347,337	-	(11,578)	335,759	11,578
Phelps Street sanitary sewer	0.00%	61,133	235,075	-	296,208	-
Belle Vista waterline replacements	0.00%	675,266	-	(22,509)	652,757	22,509
<b>Total OPWC loans</b>		<b>3,079,558</b>	<b>235,075</b>	<b>(122,856)</b>	<b>3,191,777</b>	<b>151,049</b>
<u><b>Other long-term obligations</b></u>						
ODOT State infrastructure bank loan		1,702,394	89,932	(228,338)	1,563,988	241,652
Compensated absences		1,671,750	-	(69,765)	1,601,985	289,072
<b>Total other long-term obligations</b>		<b>3,374,144</b>	<b>89,932</b>	<b>(298,103)</b>	<b>3,165,973</b>	<b>530,724</b>
<b>Total business-type activities long-term obligations</b>		<b>\$ 20,818,110</b>	<b>\$ 7,971,419</b>	<b>\$ (1,166,633)</b>	<b>\$ 27,622,896</b>	<b>\$ 1,771,203</b>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the governmental activities long-term debt obligations outstanding at December 31, 2013, are as follows:

Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2014	\$ 1,180,000	\$ 1,059,325	\$ 2,239,325
2015	795,000	1,002,049	1,797,049
2016	885,000	536,411	1,421,411
2017	920,000	500,373	1,420,373
2018	960,000	462,911	1,422,911
2019 – 2023	4,935,000	1,691,874	6,626,874
2024 – 2028	3,215,000	805,611	4,020,611
2029 – 2031	1,950,000	168,088	2,118,088
Total	<u>\$ 14,840,000</u>	<u>\$ 6,226,642</u>	<u>\$ 21,066,642</u>

Year Ended December 31,	HUD Section 108 Loans Payable			OPWC Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 464,950	\$ 74,567	\$ 539,517	\$ 21,429	\$ -	\$ 21,429
2015	225,000	46,929	271,929	21,429	-	21,429
2016	230,000	31,667	261,667	21,429	-	21,429
2017	50,000	15,876	65,876	21,429	-	21,429
2018	50,000	11,922	61,922	21,429	-	21,429
2019 – 2023	100,000	7,958	107,958	107,145	-	107,145
2024 – 2025	-	-	-	42,856	-	42,856
Total	<u>\$ 1,119,950</u>	<u>\$ 188,919</u>	<u>\$ 1,308,869</u>	<u>\$ 257,146</u>	<u>\$ -</u>	<u>\$ 257,146</u>

Principal and interest requirements to retire the business-type activities long-term debt obligations outstanding at December 31, 2013 are as follows:

Year Ended December 31,	ODWA Loan Payable		
	Principal	Interest	Total
2014	\$ 551,561	\$ 389,131	\$ 940,692
2015	572,900	574,915	1,147,815
2016	595,073	597,089	1,192,162
2017	618,112	620,129	1,238,241
2018	642,051	644,069	1,286,120
2019 - 2023	3,603,417	1,100,044	4,703,461
2024 - 2028	2,900,387	399,389	3,299,776
2029 - 2032	897,244	54,243	951,487
Total	<u>\$ 10,380,745</u>	<u>\$ 4,379,009</u>	<u>\$ 14,759,754</u>

# CITY OF YOUNGSTOWN, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended December 31,	OPWC Loans Payable			ODOT State Infrastructure Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 151,049	\$ -	\$ 151,049	\$ 241,652	\$ 51,110	\$ 292,762
2015	151,050	-	151,050	248,956	43,806	292,762
2016	151,049	-	151,049	256,480	36,282	292,762
2017	151,050	-	151,050	264,233	28,530	292,763
2018	151,049	-	151,049	272,219	20,543	292,762
2019 - 2023	755,247	-	755,247	280,447	12,316	292,763
2024 - 2028	654,131	-	654,131	-	-	-
2029 - 2033	424,171	-	424,171	-	-	-
2034 - 2038	170,435	-	170,435	-	-	-
2039 - 2042	136,341	-	136,341	-	-	-
Total	<u>\$2,895,572</u>	<u>\$ -</u>	<u>\$2,895,572</u>	<u>\$1,563,987</u>	<u>\$192,587</u>	<u>\$1,756,574</u>

As of December 31, 2013, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$34,505,926 and unvoted legal debt margin was \$10,908,738.

On May 12, 2005, the City issued \$9,990,000 in general obligation refunding bonds. A portion of the bond issuance was used to retire Street Improvement notes, Urban Renewal notes, and Final Judgement notes which matured during 2006. A portion of these bonds was used to currently refund the 1995 Various Purpose Improvement Bonds (principal \$3,265,000). The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The refunding issue is comprised of current interest bonds, par value \$9,990,000 at the time of issuance. The annual interest rate on the bonds is 3.000-4.375%.

On November 16, 2006, the City issued pension refunding bonds. These bonds refunded the \$7,455,000 callable portion of the 2000 pension refunding bond issue. These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The reacquisition price exceeded the net carrying amount of the old debt by \$646,594. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The general obligation bonds are to be repaid from property tax revenues that are receipted in the debt service fund.

The City has entered into an agreement with the Ohio Department of Transportation (ODOT) for a State Infrastructure Bank (SIB) direct loan transaction for the improvements to the Brier Hill Industrial Park area in the amount of \$2,626,090. The amounts due to ODOT are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2013, the City has outstanding borrowings of \$1,563,987 in the business-type activities. The loan agreement requires principal and interest payments to begin thirty-seven months after the closing date of the loan and bears an interest rate of 3.00%.

**CITY OF YOUNGSTOWN, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2013, the City has outstanding borrowings of \$21,265,146 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds. The Roger Lindgren Way - waterlines, Meadowbrook flow equalization basin, Briar Hill elevated storage tank, and the water department maintenance complex projects financed through OWDA are not closed out at December 31, 2013. Future annual debt service principal and interest requirements for these loans, which have a combined balance of \$10,884,398 outstanding at December 31, 2013, are not available.

The City has pledged future water and sewer revenues to repay OWDA and ODOT loans. The loans are payable solely from water and sewer fund revenues and are payable through 2032. Annual principal and interest payments on the water loans are expected to require 24.88 percent of net revenues and 3.06 percent of total revenue of the water fund. Water loan principal and interest paid for the current year was \$1,003,849. Annual principal and interest payments on the sewer loans are expected to require over 9.63 percent of net revenues and 3.09 percent of total revenue of the sewer fund. Sewer loan principal and interest paid for the current year was \$689,470. The total principal and interest remaining to be paid on the water and sewer loans is \$16,516,328.

The HUD Section 108 loans will be paid from community development agency entitlements.

An Ohio Public Works Commission Loan (OPWC) was issued to finance the Federal Street reconstruction project. The loan was issued in the amount of \$428,576, is interest free and is paid from the bond retirement fund.

The City has entered into debt financing arrangements through the OPWC to fund sewer and water construction projects. At December 31, 2013, the City has outstanding borrowings of \$3,191,777 in the business-type activities. The loan agreements require semi-annual payments and are paid from the sewer and water funds. The Phelps Street sanitary sewer project financed through OPWC is not closed out at December 31, 2013. Future annual debt service principal and interest requirements for this loan, which has a balance of \$296,208 outstanding at December 31, 2013, is not available.

For compensated absences, additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The City offered fire and police employees an early retirement incentive (ERI) in 2009 and 2010. Employees who elected to participate in the ERI will receive a payment for their unused sick leave, to the extent allowed by the current labor agreement, along with a payment of their annual salary over a five year period. The ERI liability is recorded in the governmental activities statement of net position as a component of "long-term liabilities". The ERI liability has been recorded at the present value of future payouts. The ERI payments will be made from the fire levy and police levy funds.

The claims payable liability will be paid from the workers' compensation internal service fund.

## CITY OF YOUNGSTOWN, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

#### NOTE 13 - SHORT TERM DEBT

Note activity during 2013 consisted of the following:

	Interest Rate	Balance 12/31/12	Issued	Retired	Balance 12/31/13
Taxable street improvements, series 2012	1.00%	\$ 200,000	\$ -	\$ (200,000)	\$ -
Taxable street improvements, series 2013	1.40%	-	215,000	-	215,000
Taxable convocation center, series 2012	1.00%	320,000	-	(320,000)	-
Taxable convocation center, series 2013	1.40%	-	135,000	-	135,000
Total		<u>\$ 520,000</u>	<u>\$ 350,000</u>	<u>\$ (520,000)</u>	<u>\$ 350,000</u>

The City issued short-term notes payable on September 20, 2013 for the convocation center construction and street improvements, respectively. The short-term notes outstanding at December 31, 2013 represent the portion of the 2013 note issues that will be retired when the notes are refinanced in September, 2014. The note liabilities are reflected in the funds which received the proceeds.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, of for up to 50 percent of anticipated revenue collections. There are also limitation on the number of times notes can be renewed. All notes outstanding at year end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds.

#### NOTE 14 - RISK MANAGEMENT

##### A. Property and Liability

For calendar year 2013, the City contracted for a package of municipal liability and property insurance through Jackson, Dieken and Associates at an annual premium of \$493,886.

The insurance package consisted of a policy from U.S Specialty Insurance Company including: comprehensive general liability and automobile liability with limits of \$1 million per occurrence, aggregate \$3 million and deductibles of \$50,000 per occurrence; public officials liability with prior acts coverage and law enforcement liability coverage with limits of \$1 million per occurrence and deductibles of \$50,000. Two umbrella policies provided additional coverage in the amount of \$10 million. The policy also included JAC Management, LLC and Eric Ryan as additional insured for management of the Covelli Centre, at a premium cost of \$72,000. Coverage was provided for loss to buildings and personal property in the amount of \$175,536,089 with a \$10,000 deductible, coverage for contractor's equipment and EDP equipment in the amount of \$13,129,506 and auto physical damage catastrophic coverage at two locations with a limit of \$1 million per occurrence and \$25,000 deductible.

Personal faithful performance bonds were purchased for the Clerk of Court in the amount of \$25,000; for the Mayor, the Finance Director and the Law Director in the amount of \$100,000 and for the Bailiff in the amount of \$3,000 and deputy bailiffs in the amount of \$1,000.

In 2013, the City paid deductibles to Midwest Claims in the amount of \$226,956.

# CITY OF YOUNGSTOWN, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### NOTE 14 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

#### B. Workers' Compensation

The City has elected to take advantage of the workers' compensation plan being offered by the State of Ohio. This plan, called retrospective rating, allows the City to pay a fraction of the premium it would pay as an experience-rated risk.

In 2013, the City paid premiums to the State Fund for Workers' Compensation for calendar year 2013 in the amount of approximately \$555,657. The City reimbursed the Bureau of Workers Compensation for actual medical costs and compensation paid to injured workers in the amount of \$555,657 under the Retrospective Rating Plan.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the City agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the City assumes, the greater the potential reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk for individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 200% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the City pays the State a "minimum premium" for retaining the risk of having to pay claims which exceeds the City's maximum claim limits. Ten years after each year the City elected the retrospective plan for workers' compensation, the City settles up for the reserve on any claims that are still open. The City has established a workers' compensation internal service fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$2,760,379 reported at December 31, 2013, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$2,760,379 claims liability, \$662,500 of the liability is due within one year and is reported as a current liability in the statement of net position for the proprietary funds. The remaining portion is a noncurrent liability of \$2,097,879. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds' claims liability amount in 2013 and 2012 were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2013	\$ 2,738,923	\$ 577,083	\$ (555,657)	\$ 2,760,379
2012	2,880,244	584,238	(725,559)	2,738,923

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 15 - EMPLOYEE BENEFITS**

##### **A. Life/Health Insurance**

During 2013, the City provided health insurance benefits to its employees through Anthem Insurance. In 2013, management and non-management employees were enrolled in an Anthem Health II Plan. Medical/surgical benefits were provided under a PPO Plan (Blue Access) with no deductibles and copays of \$10 per office visit and \$50 for emergency room visits within a network of providers. Services outside the network of providers were reimbursed at 80% of the usual and customary fee by Anthem after the employee met a deductible of \$300 single/\$600 family. Drug prescription coverage was provided with a drug card that required co-pays of \$8 for generic and \$15 formulary and \$25 nongeneric/formulary.

The premiums paid by the City were \$634.08 per month per employee for single coverage and \$1,585.19 per month per employee for family coverage for employees in the Health II plan. Premiums for vision were \$5.98 single and \$14.51 family. Premiums for dental were \$26.15 single and \$78.71 family.

During 2013, management employees contributed 10% of the premiums paid by the City for their health insurance. Union employees contributed 10%, with caps, toward their premiums in accordance with collective bargaining agreement reached. Dental and vision coverage were provided by Anthem for all employees, other than AFSCME union members. Members of AFSCME 2312 and 2726 (water and clerical) had vision, dental, and life insurance provided through the Ohio AFSCME Care Plan. The City contributed \$66.62 per month per AFSCME employee for this coverage.

Through April 30, 2009, the City provided life insurance and accidental death and dismemberment insurance in equal amounts to its active employee with the exception of AFSCME employees through a plan with Standard Life. The benefit amounts remained the same: \$9,500 with the exception of Waste Water Treatment Plant union employees who had coverage in the amount of \$15,000 and Fire Department, 911, Police and Street department union employees who had coverage in the amount of \$20,000. In addition, eligible retirees were covered for death amount benefit amounts ranging from \$1,500 to \$5,000, depending on retirement.

##### **B. Compensated Absences**

City employees earn sick leave at a rate of one and one quarter days per month, not to exceed 15 days per year. Sick leave may be accumulated without limit. The City's policy is that 35 percent of accrued sick leave will be paid to an employee upon retirement or termination of service.

City employees earn two to six weeks of vacation per year, depending upon length of service. Upon termination of service, an employee is entitled to receive payment for any unused vacation time plus accrued vacation time earned during the year.

For governmental funds, the current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the statement of activities. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. As of December 31, 2013, the liability for unpaid compensated absences was \$8,312,725 for the entire City.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 16 - PENSION PLANS**

##### **A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and contribution rates were consistent across all three plans. The 2013 member contribution rates were 10.00% for members. The City's contribution rate for 2013 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2013 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2013 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$2,718,972, \$2,250,583, and \$2,330,765, respectively; 100% has been contributed for 2013, 2012, and 2011. Contributions to the member-directed plan for 2013 were \$22,233 made by the City and \$15,880 made by the plan members.

##### **B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 16 - PENSION PLANS - (Continued)**

Funding Policy - From January 1, 2013 to July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 to December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2013, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$1,533,127 and \$1,557,715 for year ended December 31, 2013, \$1,251,051 and \$1,341,026 for the year ended December 31, 2012, and \$1,312,073 and \$1,350,961 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 76.41% has been contributed for police and 75.89% has been contributed for firefighters for 2013.

#### **NOTE 17 - POSTRETIREMENT BENEFIT PLANS**

##### **A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2013 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2013 was 6.05%.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$221,993, \$906,909, and \$938,102, respectively; 100% has been contributed for 2013, 2012, and 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

#### **B. Ohio Police and Fire Pension Fund**

**Plan Description** - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2013, the employer contribution allocated to the health care plan was 4.69% of covered payroll from January 1, 2013 to May 31, 2013 and 2.85% of covered payroll from June 1, 2013 to December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$350,779 and \$277,130 for the year ended December 31, 2013, \$662,321 and \$524,749 for the year ended December 31, 2012, and \$694,627 and \$528,637 for the year ended December 31, 2011. The full amount has been contributed for 2012 and 2011. 76.41% has been contributed for police and 75.89% has been contributed for firefighters for 2013.

#### **NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire levy, police levy, Covelli Centre, and Community Development project fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, committed, or restricted fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

	<b>Net Change in Fund Balance</b>				
	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>	<u>Covelli Centre</u>
Budget Basis	\$ 121,629	\$(180,909)	\$(176,258)	\$ 27,435	\$ 53,049
Net adjustment for revenue accruals	(928,745)	(363,447)	(765,893)	62,167	17,311
Net adjustments for expenditure accruals	(4,251,957)	(823)	9,951	3,492,583	(10,715,933)
Net adjustment for other financing sources/uses	2,312,751	-	-	-	10,796,659
Adjustments for encumbrances	<u>163,164</u>	<u>-</u>	<u>123,536</u>	<u>39</u>	<u>110</u>
GAAP Basis	<u><u>\$(2,583,158)</u></u>	<u><u>\$(545,179)</u></u>	<u><u>\$(808,664)</u></u>	<u><u>\$ 96,790</u></u>	<u><u>\$ 151,196</u></u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the emergency 911 system fund, the unclaimed monies fund, the federal plaza ad hoc committee fund, and the rental property registration fund.

**NOTE 19 - CONTINGENT LIABILITIES**

**A. Litigation**

The City of Youngstown is currently party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The Youngstown Municipal Court judges are seeking writs of mandamus to compel the City of Youngstown to provide them suitable accommodations and to pay for their legal representation. The chances of a Writ ordering the City to provide suitable accommodations are high, but such a writ would not result in a monetary judgment. It will still however, remain the City's obligation to provide suitable accommodations as part of its regular budget process. The matter was heard before a Special Master on March 17, 2014. The parties have submitted briefs and are awaiting a decision of the Special Master. The parties have also engaged in settlement negotiations which have not yet resulted in a resolution of the matter. The expected cost of providing a renovated Youngstown Municipal Court in the City Hall Annex Building is between six and ten million dollars.

On October 26, 1998, the U.S. EPA filed an enforcement action in Federal Court seeking injunctive relief and penalties against the City for violations of the Clean Water Act. On March 5, 2002, the U.S. EPA and the City entered into a consent decree. Pursuant to that decree, the City paid \$90,000 in penalties to the U.S. EPA and the Ohio EPA.

## **CITY OF YOUNGSTOWN, OHIO**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013**

#### **NOTE 19 - CONTINGENT LIABILITIES - (Continued)**

In addition, the consent decree called for the City to make various short-term improvements to its collection system (all completed at present), submit reports to the U.S. and Ohio EPAs on a regular basis and develop a long-term control plan (LTCP) for its combined sewer overflows. Preliminary estimates of a LTCP place the cost at anywhere from \$200 to \$500 million dollars and anywhere from 15 years to 25 years to complete, with monitoring to determine if the City is meeting requirements of the Clean Water Act thereafter. The consent calls for stipulated penalties if the City fails to meet certain milestones in its LTCP. However, stipulated penalties do not arise until the City submitted a financial assessment of a proposed LTCP and the U.S. EPA has yet to approve it. The City and the U.S. EPA have been unable to agree as to how much the City can afford and should be required to spend on a LTCP and how much time it should have to complete the plan. Because the plan has not been approved, no milestones have been set and no stipulated penalties invoked.

In 2011, the EPA re-established contact with the City in regard to the establishment of a long-term control plan. The EPA informed the City that it had determined that the fulfillment of such a plan would be a "high burden" on the City and that, therefore, it would be willing to accept a plan which would be carried out in a series of phases. The goal of the negotiations was to reach an agreed upon long-term control plan.

In October of 2014, the City and State EPA and Federal EPA reached an agreement on the terms of a LTCP. Phase I will likely cost approximately One Hundred Forty Six Million Dollars and be executed over a period of about twenty (20) years. It will be funded through a series of already ongoing sewer rate increases and contributions from Mahoning and Trumbull Counties, which are contractually obligated to share in the cost of capital improvements to the wastewater system. The LTCP has been approved by Youngstown City Council and submitted to the EPA by the City of Youngstown. The Federal EPA has approved the LTCP and the State EPA representative has indicated it is expected to be approved.

On June 23, 2014, the Ohio EPA issued proposed findings against the City of Youngstown for alleged visible particulate emissions at the City's wastewater treatment facility in excess of those allowed by the City's Title V permit. The EPA's proposed administrative penalty was an \$88,000 fine. The City has made a counterproposal of payment of a \$5,000 fine, and funding of Supplemental Environmental Project (SEP) in an amount of not less than \$83,000. The City is awaiting the State's response to the City's proposal.

The Ohio Department of Commerce Bureau of Underground Storage Tank Removal (BUSTR) has made a claim that could present a substantial liability to the City in connection with a West Avenue water department fuel tank removal issue. The City had discussions with representatives of BUSTR to attempt resolution of issues raised by BUSTR. Although no determinations have been made, there is a likelihood that BUSTR will require environmental testing and monitoring. The City is not sure what the cost of this may be, but there is a potential that the City will be facing thousands of dollars of potential cost.

#### **B. Federal and State Grants**

For the period January 1, 2013, to December 31, 2013, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 20 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 163,164
Police levy fund	123,536
Covelli Centre	110
Community development	39
Other governmental	<u>99,643</u>
Total	<u>\$ 386,492</u>

# CITY OF YOUNGSTOWN, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### NOTE 21 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund balance</u>	<u>General</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Covelli Centre</u>
Nonspendable:				
Materials and supplies inventory	\$ -	\$ 1,518	\$ 7,253	\$ -
Unclaimed monies	<u>21,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonspendable	<u>21,952</u>	<u>1,518</u>	<u>7,253</u>	<u>-</u>
Restricted:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Community development	-	-	-	-
Street maintenance and repair	-	-	-	-
Public health and welfare	-	-	-	-
Law enforcement	-	-	-	-
Leisure time activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed:				
Community development	-	-	-	-
Law enforcement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
Community development	177,261	-	-	-
Public health and welfare	5,645	-	-	-
Law enforcement	13,822	-	-	-
General government	<u>157,519</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assigned	<u>354,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>2,437,312</u>	<u>(745,125)</u>	<u>(562,786)</u>	<u>233,279</u>
Total fund balances	<u>\$ 2,813,511</u>	<u>\$ (743,607)</u>	<u>\$ (555,533)</u>	<u>\$ 233,279</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 21 - FUND BALANCE (CONTINUED)**

<u>Fund balance</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Materials and supplies inventory	\$ 440	\$ -	\$ 215,710	\$ 224,921
Unclaimed monies	-	-	-	21,952
Total nonspendable	<u>440</u>	<u>-</u>	<u>215,710</u>	<u>246,873</u>
Restricted:				
Capital projects	-	-	7,062,138	7,062,138
Debt service	-	189,245	-	189,245
Community development	525,966	-	243,280	769,246
Street maintenance and repair	-	-	440,444	440,444
Public health and welfare	-	-	120,351	120,351
Law enforcement	-	-	759,231	759,231
Leisure time activities	-	-	22,008	22,008
Total restricted	<u>525,966</u>	<u>189,245</u>	<u>8,647,452</u>	<u>9,362,663</u>
Committed:				
Community development	-	-	56,831	56,831
Law enforcement	-	-	35,782	35,782
Total committed	<u>-</u>	<u>-</u>	<u>92,613</u>	<u>92,613</u>
Assigned:				
Community development	-	-	-	177,261
Public health and welfare	-	-	-	5,645
Law enforcement	-	-	-	13,822
General government	-	-	-	157,519
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,247</u>
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(12,302)</u>	<u>1,350,378</u>
Total fund balances	<u>\$ 526,406</u>	<u>\$ 189,245</u>	<u>\$ 8,943,473</u>	<u>\$ 11,406,774</u>

**CITY OF YOUNGSTOWN, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 22 - BUDGETARY PRIOR PERIOD ADJUSTMENT**

In prior year, the incorrect budgetary beginning balance was brought forward. The restatements of the budgetary-basis fund balances at January 1, 2013, are as follows:

	<u>General Fund</u>	<u>Fire Levy</u>	<u>Police Levy</u>	<u>Community Development</u>
Budgetary balance, December 31, 2012	(\$908,544)	\$231,610	\$296,682	(\$718,076)
Correcting adjustment	<u>1,491,743</u>	<u>10,463</u>	<u>100,666</u>	<u>680,871</u>
Restated budgetary balance, January 1, 2013	<u>\$ 583,199</u>	<u>\$242,073</u>	<u>\$397,348</u>	<u>(\$ 37,205)</u>

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<b><u>U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Direct Programs</i>				
<i>Community Development Block Grant Entitlement Grants (CDBG) Cluster</i>				
Community Development Block Grant/ Entitlement Grants - 35th Year	B-09-MC-39-0023	14.218	\$ 2,832	\$ 2,832
Community Development Block Grant/ Entitlement Grants - 36th Year	B-10-MC-39-0023	14.218	236,783	236,783
Community Development Block Grant/ Entitlement Grants - 37th Year	B-11-MC-39-0023	14.218	290,156	290,156
Community Development Block Grant/ Entitlement Grants - 38th Year	B-12-MC-39-0023	14.218	988,308	988,308
Community Development Block Grant/ Entitlement Grants - 39th Year	B-13-MC-39-0023	14.218	2,157,019	2,157,019
Community Development Block Grant/ Neighborhood Stabilization Program	B-08-MN-39-0014	14.218	<u>433,656</u>	<u>433,656</u>
<i>Passed Through Mahoning County</i>				
Community Development Block Grants/Entitlement Grants	-	14.218	<u>80,046</u>	<u>80,046</u>
<i>Subtotal Community Development Block Grant/ Entitlement Grants Cluster</i>			<u>4,188,800</u>	<u>4,188,800</u>
Emergency Shelter Grants Program	S-11-MC-39-0023	14.231	86,198	86,198
Emergency Shelter Grants Program	S-12-MC-39-0023	14.231	263,029	263,029
Emergency Shelter Grants Program	S-13-MC-39-0023	14.231	<u>12,517</u>	<u>12,517</u>
<i>Subtotal</i>			<u>361,744</u>	<u>361,744</u>
HOME Investment Partnerships Program	MC-06-MC-39-0023	14.239	120,768	120,768
HOME Investment Partnerships Program	MC-09-MC-39-0023	14.239	16,851	16,851
HOME Investment Partnerships Program	MC-10-MC-39-0023	14.239	57,006	57,006
HOME Investment Partnerships Program	MC-12-MC-39-0023	14.239	189,706	189,706
HOME Investment Partnerships Program	MC-13-MC-39-0023	14.239	<u>89,325</u>	<u>89,325</u>
<i>Subtotal</i>			<u>473,656</u>	<u>473,656</u>
<b><i>Total U.S. Department of Housing and Urban Development</i></b>			<u><b>5,024,200</b></u>	<u><b>5,024,200</b></u>

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Justice Assistance Grants (JAG) Program Cluster</i>				
<i>Direct Programs</i>				
Edward Byrne Memorial Justice Grant Program	2013-DJ-BX-0195	16.738	72,063	36,032
<i>Passed Through COPS Office</i>				
COPS Hiring Program	2012-UM-WX-0144	16.710	109,939	150,269
<i>Direct Programs</i>				
Juvenile Mentoring Program	2013-ST-OAG-B4B-OH-4	16.726	3,228	3,228
Bulletproof Vest Partnership Program	2011-BU-BX-06030580	16.607	3,450	3,875
Bulletproof Vest Partnership Program	2012-BU-BX-12064388	16.607	7,093	8,368
<b><i>Total U.S. Department of Justice</i></b>			<b>195,773</b>	<b>201,772</b>
<b><u>U.S. DOT- FEDERAL HIGHWAY ADMINISTRATION</u></b>				
<i>Passed Through The Ohio Department of Transportation</i>				
ARRA - Highway Planning and Construction	86887	20.205	1,602,676	1,602,676
Highway Planning and Construction	81055	20.205	17,324	17,324
	87408	20.205	5,505	5,505
	91017	20.205	6,254	6,254
	91018	20.205	261,388	261,388
<b><i>Total U.S. DOT - Federal Highway Administration</i></b>			<b>1,893,147</b>	<b>1,893,147</b>
<b><u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u></b>				
<i>Passed Through Governor's Office of Highway Safety</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2013-50-00-00-00385-02	20.601	25,678	21,538
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2014-50-00-00-0041700	20.601	2,087	4,561
<b><i>Total National Highway Traffic Safety Administration</i></b>			<b>27,765</b>	<b>26,099</b>
<b><u>U.S DEPARTMENT OF ENERGY</u></b>				
<i>Direct Programs</i>				
ARRA - Energy Efficiency and Conservation Block Grant	DE-SC0002996	81.128	13,804 *	-
<b><i>Total U.S. Department of Energy</i></b>			<b>13,804</b>	<b>-</b>

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Ohio Department of Health</i>				
<i>Immunization Cluster:</i>				
HIV Activities-Health Department Based	50-2-001-2-HP-0411	93.940	32,645	-
Maternal and Child Health Services Block Grants to the States	50-2-001-1-DS-0513	93.994	-	1,675
Maternal and Child Health Services Block Grants to the States	50-2-001-1-DS-0513	93.994	17,500	17,500
<i>Subtotal</i>			50,145	19,175
<b><i>Total U.S. Department of Health and Human Services</i></b>			<b>50,145</b>	<b>19,175</b>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>				
<i>Passed Through Ohio Environmental Protection Agency</i>				
Air Pollution Control Program Support	SFY 2012-13	66.001	71,546	42,103
Air Pollution Control Program Support	SFY 2013-14	66.001	101,144	96,384
<b><i>Total U.S. Environmental Protection Agency</i></b>			<b>172,690</b>	<b>138,487</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Summer Food Service Program for Children		10.559	42,199	32,252
<b><i>Total U.S. Department of Agriculture</i></b>			<b>42,199</b>	<b>32,252</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 7,419,724</b>	<b>\$ 7,335,133</b>

\* Amount reported is net of \$5,013.09 in excess funds returned during 2013.

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the City of Youngstown's (the City's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The City passes certain federal awards received from The U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note A describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the city has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and/or tangible personal property.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$220,273
Loans made	0
Loan principal repaid	<u>73,799</u>
Ending loans receivable balance as of December 31, 2013	<u>\$146,474</u>

It is not practical to determine either the amount of cash on hand or administrative costs attributable to CDBG loans as financial activity of the CDBG loan programs are commingled with other CDBG program funds.

The table above reports loans receivable net of allowance for uncollectible accounts.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E – Air Pollution Control Program**

In the prior year Schedule of Federal Awards Receipts and Expenditures the Air Pollution Control Program reported receipts and expenditures incorrectly on the schedule. The current year federal schedule's receipts and expenditures were decreased by \$79,745 and \$99,528, respectively. The decreases in the current year schedule were needed to correct an overstatement in previous years.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Youngstown  
Mahoning County  
26 S. Phelps St.  
Youngstown, Ohio 44503

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Youngstown, Mahoning County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2013-001 and 2013-002 to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

***Entity's Response to Findings***

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly distinguishable.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 17, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Youngstown  
Mahoning County  
26 S. Phelps St.  
Youngstown, Ohio 44503

To the Members of Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Youngstown's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Youngstown's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

### ***Management's Responsibility***

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Youngstown complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2013-003 and 2013-004. These findings did not require us to modify our compliance opinion on each major federal program.

The City's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

### **Report on Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2013-004.

The City's response to the internal control over compliance finding we identified is described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unmodified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>Yes</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unmodified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	<b>Yes</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant Entitlement Cluster - 14.218 Air Pollution Grant – 66.001 Emergency Shelter Grant – 14.231 Highway Planning and Construction – 20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

<p align="center"><b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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<b>FINDING NUMBER</b>	<b>2013-001</b>
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**IT – Security Administration**

**Significant Deficiency**

The increasing dependence of the City on data processing for daily operations makes it important that precautions be taken to prevent unauthorized modification, disclosure, disruption or use of data and programs.

The City of Youngstown uses Windows AD security to restrict access to their network; however, standardized procedures have not been established to document and control administration of security relative to the City's computer information system. While the City has developed a security policy regarding Computer Usage and Internet Access, the policy does not address the use of access forms or the enforcement of password and account lockout controls. The following weaknesses were noted:

- Standard authorization forms to request access to the system are not used.
- PC Computer Security Forms were not available for eight of 22 users selected for review.
- Password policies at the network level have not been set.
- Account lockout policies at the network level have not been set.
- Passwords are set by the MIS CIO and users are not able to change their passwords.

The City should develop a comprehensive security policy to address the following:

- Use of a standardized form to document user access requests.
- Documentation to support user profile set up and maintenance.
- Authorization and approval criteria for user access.
- Security reporting and review criteria.
- Password policies (minimum length, expiration, complexity)
- Account lockout policy (lockout after 5 failed logon attempts; account must be reset by administrator)

Once developed, the security policies and procedures should be communicated to all users.

**Officials' Response:** See Corrective Action Plan.

<b>FINDING NUMBER</b>	<b>2013-002</b>
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**Ohio Department of Transportation Monies**

**Noncompliance and Significant Deficiency**

See Federal Finding 2013-004 in Section 3 below. We believe this finding also represents a significant deficiency under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Officials' Response:** See Corrective Action Plan.

### 3. FINDINGS FOR FEDERAL AWARDS

<b>Finding Number</b>	2013-003
<b>CFDA Title and Number</b>	CDBG Entitlement Cluster - 14.218 Emergency Shelter Grant – 14.231 Air Pollution Grant – 66.001 Highway Planning and Construction (ARRA and Non-ARRA) – 20.205
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development, U.S. Department of Transportation and U.S. Environmental Protection Agency
<b>Pass-Through Agency</b>	Direct Funding for U.S. Department of Housing and Urban Development, Ohio Department of Transportation and Ohio Environmental Protection Agency

#### OMB Circular A-133 Reporting Deadline

#### Noncompliance

**OMB Circular A-133 Section 200 (b)** provides that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with Section 500 except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section.

**OMB Circular A-133 Section 320 (a)** provides the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The City did not file its December 31, 2013 data collection form and reporting package by September 30, 2014.

We recommend the City submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

**Officials' Response:** See Corrective Action Plan.

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	Highway Planning and Construction (ARRA and Non-ARRA) – 20.205
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	United States Department of Transportation
<b>Pass-Through Agency</b>	Ohio Department of Transportation

### **Federal Schedule and Ohio Department of Transportation Monies**

#### **Noncompliance and Significant Deficiency**

**OMB Circular A-133 Section .300** outlines a number of auditee responsibilities. A major responsibility is for the City to prepare a Schedule of Federal Awards Receipts and Expenditures (Federal Schedule); OMB Circular A-133 § .310(b)(3) states at a minimum, the Federal Schedule shall provide total Federal awards expended for each individual Federal program.

The Highway Planning and Construction Grant – (CFDA# 20.205) receipts and expenditures were understated by \$4,616 and the Highway Planning and Construction Grant – ARRA (CFDA# 20.205) receipts and expenditures were understated by \$998,391 on the City's Federal Schedule. The Federal Schedule was adjusted for the amounts noted above.

In addition, Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

There are also several budgetary compliance requirements associated with the recording of such program receipts and disbursements:

- Ohio Rev. Code Section 5705.09(F) requires the legislative authority to approve, by resolution, the grant or project application and must establish any fund(s) necessary to meet the grant or project objectives. Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year in accordance with Ohio Rev. Code Section 5705.36(A)(3).
- Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Rev. Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

**Finding Number - 2013-004  
(Continued)**

During 2013, the City was the beneficiary of Ohio Department of Transportation (ODOT) monies that were paid directly to the vendors of ODOT. On behalf of the City, ODOT paid vendors \$1,893,148 in 2013. The City did not record the receipt and expenditure transactions relating to these ODOT on-behalf-of payments, nor did they amend their estimated resources and appropriations to properly budget for the expected grant receipts and expenditures. The City's financial statements were adjusted to reflect these transactions.

We recommend the preparation of the Federal Schedule be monitored to ensure accuracy and fair presentation of all City federal activity. These procedures will help provide assurance the federal receipts and expenditures activity is properly handled and fairly presented on the City's Federal Schedule. Also, when approved for funding by a State or Federal agency, the City should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of the Ohio Revised Code. When the City receives notice that funds will be expended on its behalf, the City should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and expenditures. The City should also record memorandum receipt and expenditure transactions on the City's books to account for any payments made on its behalf.

**Officials' Response:** See Corrective Action Plan.

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	ORC 5705.10, negative fund balance identified within the General Fund, CDA Fund and Litter Control and Recycling Fund.	No	Partially corrected, in 2013, only the CDA Fund had a negative balance. We will repeat this comment within the management letter.
2012-002	The City participates in the BWC Retrospective Rating Plan. BWC recommends the City have on reserve in the Workers' Compensation Internal Service Fund totaling \$2,183,296. However, the City only had \$1,404,086 in the WC fund.	No	Not Corrected. However, the unfunded difference in 2013 was down to \$142,705. As such this comment was moved to the management letter.
2012-003	ORC 5705.41(D), the city failed to properly encumber 13 out of the 25 vouchers selected for testing.	No	Not Corrected. However, we will repeat this comment within the management letter.
2012-004	The City failed to apply GASB 63 to the December 31, 2012 financial statements.	Yes	
2012-005	The City failed to file its December 31, 2012 data collection form and reporting package by September 30, 2013.	No	Not Corrected, This comment will be repeated as Finding # 2013-003.

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**CITY OF YOUNGSTOWN  
MAHONING COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
<b>2013-001</b>	The Finance Director agrees that the City needs to fully implement security procedures that ensure the use of access forms and the enforcement of password changes and lockout controls.	June 2015	Finance Director
<b>2013-002</b>	See 2013-004 below.	October 2015	Finance Director
<b>2013-003</b>	The Finance Director will file its data collection form and reporting package as soon as the audit of the Basic Financial Statements for December 31, 2013 is complete	April 2015	Finance Director
<b>2013-004</b>	The Finance Director will implement procedures to correct the reporting of on-behalf payments and is working with the Financial Software Vendor to enter these payments into Logos.NET software system.	October 2015	Finance Director

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# Dave Yost • Auditor of State

**CITY OF YOUNGSTOWN**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 12, 2015**

**Attachment B2**

**Three Years Historical Financial Statements**

**Attachment B3**

**Interim Financial Statement**

**Attachment B4**

**Projected Financial Statements for the Current and Next Three Years**

**Attachment B5**

**Personal Financial Statements**

**Attachment B6**  
**Real Estate Appraisal**

**Attachment B7**

**Pro Forma for the Development Project**

**Attachment B8**

**Participating Parties and Lenders**

**Attachment B8****Participating Parties and Lenders Contact Sheet**

In the table below provide contact information for each party and/or lender participating in the project.

<b>Entity</b>	<b>Name of Firm</b>	<b>Contact Person</b>	<b>Phone</b>	<b>E-mail</b>
Attorney				
Accounting				
Consultant	ms consultants, inc.	John P. Pierko, P.E. C.P. # 186	330-744-5321	jpierko@msconsultants.com
Real estate Agent				
Community Contact	City of Youngstown Dept. Economic Development	T. Sharon Woodberry, Director of Econ. Development	330-744-1708	tswood@youngstownohio.gov

**Attachment B9**

**Sources and Uses of Funds Sheet**

**Attachment B8: SOURCES AND USES OF FUNDS**

Sources of Funds		Uses of Funds							Totals
Type of Entity	Name/ Organization	Assessments	Acquisition	Environmental Insurance	Clearance	Demolition	Cleanup Remediation	Development Costs	
Applicant	City of Youngstown	\$200,000.00					\$91,148.83		\$291,148.83
Local***									\$ -
									\$ -
									\$ -
State***	ODSA – BRLF						2,000,000.00		\$2,000,000.00
									\$ -
									\$ -
Federal***									\$ -
									\$ -
									\$ -
Private***									\$ -
									\$ -
									\$ -
SubTotal		\$200,000.00	\$	\$	\$	\$	\$2,091,148.83	\$	\$2,291,148.8

### Percentage of Applicant Match For the Project

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## Notes

\*\*\*Documentation must be provided from each entity demonstrating their commitment

Revolving Loan Fund Dollars may not be used for Assessments, Acquisition, Clearance, Demolition or Development Costs

Clearance = Solid Waste Removal (e.g. clearing or grubbing of vegetation, trees or organic material prior to remediation)

Total Project Cost = only those dollars necessary to the 'project' completion (environmental insurance, clearance, demolition, cleanup/remediation)